Nation's Business®

The Small Business Adviser

The Changing Work Force

Federal Spending Goes On The Block

EEOC Turns To Mediation

10 Incentives That Employers Need To Hire People Off Welfare

JUNE 1995 - $2.50

Published by U.S. Chamber of Commerce

We know, you've had it up to here with the better value this, better value that story. So we put an end to it by recreating the Compaq ProLinea.® The computer that started it all.

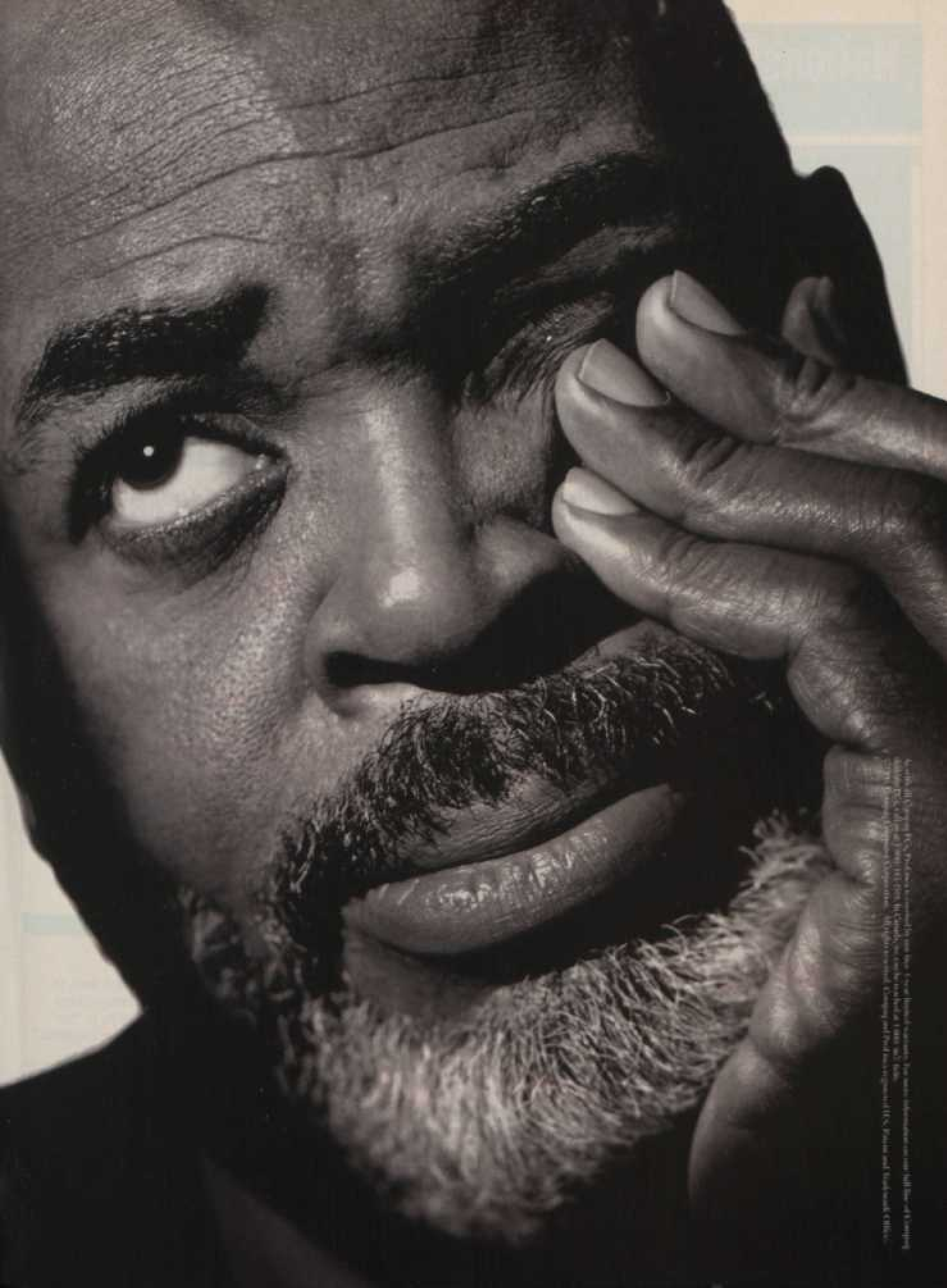
The new ProLinea is the epitome of high-quality, affordable desktop PCs. How so? Well in short (really short), it's now faster, smarter, more flexible and more upgradable. It can be networked in a snap. Literally. And, it's incredibly easy to support and maintain. Happy? You will be.

COMPAQ

LIKE MOST PC BUYERS, YOU'RE PROBABLY SICK OF HEARING "BETTER VALUE." SO WE'VE CLEVERLY DISGUISED IT AS 12 IMPROVEMENTS.

Of course, this may all seem like just talk, but trust us – it's not. To get the complete "12 improvements" list detail by detail, you can find us on the Web at www.compaq.com or talk to your local Compaq reseller. You'll find when we say "better value," we don't mean we cut corners and then lowered the price. After all, that's everyone else's idea. Not ours.

Introducing the new Compaq ProLinea



Nation'sBusiness®

Published by
U.S. Chamber of Commerce
Washington, D.C.

PHOTO: ©LISA QUINONES—BLACK STAR

Helping welfare recipients *make the transition to the work force requires a variety of approaches, including that of private placement organizations such as America Works, run by Lee Bowes, center standing, and Peter Cove. Cover Story, Page 18.*

PHOTO: ©RICHARD RAMIREZ

Recruiting *is "a lot like trout line fishing," says Deck The Walls CEO John Jones. Franchising Special Guide, Page 57.*

VOL. 83, NO. 6

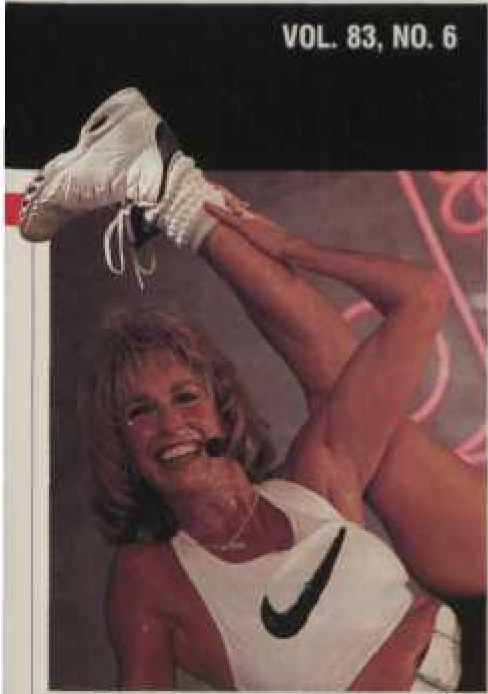


PHOTO: ©ROBERT BURROUGHS

Exercising *entrepreneurship: Jazzercise's Judi Sheppard Missett choreographs what she teaches. Making It, Page 14.*

DEPARTMENTS

Cover Design: Hans A. Baum

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062-2000. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. For Canadian and other foreign subscriptions, add $20 per year. Second class postage paid at Washington, D.C., and additional mailing offices. Canadian GST Registration #: R131504165. **POSTMASTER:** Send address changes to **Nation's Business**, 4940 Nicholson Court, Kensington, Md. 20895. **To inquire about your subscription, or to make a change of address, please call 1-800-638-6582, or in Maryland, 1-800-352-1450. Photocopy Permission:** Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Drive, Danvers, Mass. 01923, to photocopy any article herein for a flat fee of $1.50 per copy of each article. Send payment to the CCC. Copying without express permission of **Nation's Business** is prohibited. Address requests for reprints to **Nation's Business** Reprints, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-497-4000.

Printed in the U.S.A.

Editor's Note

Welfare Reform's Employer Equation

PHOTO: ©JOE STEWARDSON

The national debate over welfare reform includes many controversial elements, but all sides agree on this: Employers will be critical to making change work. President Clinton and Republican leaders in Congress, all of whom want reform, are counting on companies to hire welfare recipients and help them become self-sufficient.

Our cover story this month, by Senior Editor John S. DeMott, focuses on 10 incentives that could encourage that end. Among the many employers and welfare experts DeMott interviewed nationwide was franchisor Leone Ackerly of Mini Maid Services Co., Inc., in Atlanta—at right in the photo, with three of her employees. Ackerly is highly experienced in hiring individuals on public aid.

This story, which begins on Page 18, will bring you up to date on where the federal government is headed with welfare reform and where employers and others think it should go.

Please tell us what you think about provisions in the House-passed welfare bill by responding to the Where I Stand poll on Page 76. An editorial on welfare reform appears on Page 79.

Special reports this month—on thinking like a risk manager in buying insurance, on Page 30, and on finding the right franchisee, on Page 57—are among the articles that offer useful advice for entrepreneurs in this issue.

In "Nurturing Diversity," our Enterprise 2000 feature on Page 25, Special Correspondent Sharon Nelton suggests how managers might respond effectively to the shrinking proportion of white males in the work force.

If you have questions about the management problems you face, chances are that other readers do, too. For suggestions on dealing with these challenges, write Direct Line. See Page 71 for details.

Mary Y. McElveen

Mary Y. McElveen
Editor

Nation'sBusiness

The United States Chamber of Commerce, publisher of Nation's Business, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
Dennis W. Sheehan
PRESIDENT
Dr. Richard L. Lesher
SENIOR VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant
VICE PRESIDENT/PUBLISHING
David A. Roe

EDITOR
Mary Y. McElveen
DEPUTY EDITORS
Albert G. Holzinger, Terence F. Shea, Roger Thompson
SPECIAL CORRESPONDENT
Sharon Nelton
SENIOR EDITORS
Joan C. Szabo, Michael Barrier,
John S. DeMott, David Warner
ASSOCIATE EDITORS
Meg Whittemore, Roberta Maynard,
Dennis Fitzgerald, James Worsham
SENIOR WRITER
Laura M. Litvan
CONTRIBUTING EDITORS
Robert T. Gray, Henry Altman, Ripley Hotch, Julie Candler,
John L. Ward, Craig E. Aronoff, Jon Pepper, Peter Weaver,
Albert B. Ellentuck, Janet L. Willen, Randy Myers,
Mary Rowland, Susan Biddle Jaffe
EDITORIAL ADMINISTRATIVE ASSISTANT
Irma N. Toliver

ART DIRECTOR
Hans A. Baum
ASSISTANT ART DIRECTOR
Alberto Pacheco
SENIOR DESIGNERS
Kathy Reuter, Kathleen Vetter, Georgia Leigh McDonald
SENIOR ARTIST
Michael Rook
PHOTO DEPARTMENT
Laurence L. Levin, photo editor
Frances Borchardt, assistant photo editor
T. Michael Keza, chief photographer
ART PRODUCTION ASSISTANT
Theodora D. Taylor

PRODUCTION DIRECTOR
Heidi Sakai Giusetti
PRODUCTION COORDINATORS
Stephanie Jankowski, Ginger Tracy Hill
PRODUCTION ADMINISTRATOR
Seretha Armstrong

U.S. ADVERTISING
Pete McCutchen, marketing director
(212) 370-1440
Kathleen Brown, administrator
ADVERTISING MANAGERS
Atlanta (404) 393-0140
Rob McWalters
Chicago (312) 346-3526
Richard Knepler
Dallas (214) 387-0404
Richard Chalkley
Southfield, Mich. (810) 354-1180
Richard Topous, Michael McNew
Los Angeles (213) 651-1466
Tom Bowman
New York (212) 370-1440
Jerry V. Camporine, Neil Hanlon,
Bart McDonnell, Peter J. Riordan
San Francisco (415) 421-7436
Richard A. Sands

CLASSIFIED ADVERTISING
(202) 463-5640
Maria Sober, director
Debora A. Tydings, account executive

INTERNATIONAL MARKETING
Vico Fabrizio Associates
(201) 664-7925
Fax: (201) 358-8404

CIRCULATION AND CONSUMER MARKETING
Elizabeth A. Allen, director
Lucy Oliver, circulation manager
Liana Glasco, consumer marketing manager

MARKETING COMMUNICATIONS
Janine Grossman, director
Nancy Swanson, research manager
Diane Lewis, promotion coordinator

Letters

Let The People Vote On Tax Reform

Thank you for your April cover story on "Blockbuster Tax Reform." I think we should leave the decision making to the people. Have a special election so the people can vote for one tax-reform plan or another. This way, the people would not be able to point the finger at anyone but themselves. Give the winning plan a few years, then let the people vote once again to keep the plan or return to the former plan. Help is needed now, not in 10 years.
Blanca Ramirez
West Covina, Calif.

Don't Jump Into A VAT

You failed to mention a very large drawback of the value-added tax (VAT). Any business that depends on wholesalers, cooperatives, or distributors for its supply of products for resale is already at a cost-of-goods disadvantage compared with a giant business that eliminates levels in the marketing chain. A VAT would increase both bookkeeping expenses and taxes at each level of the chain. Thousands of small businesses would eventually be eliminated.
Michael A. Richardson, President
American Consumers, Inc.
Fort Oglethorpe, Ga.

Eliminate 'Us Vs. Them'

Any tax plan that would eliminate or reduce the Internal Revenue Service would be a boon to the country. We would save the money that goes to finance the agency, but, more important, we would improve the attitude we have toward government. Eliminate "us vs. them," and I think you'll see a more willing, motivated, and free people ready to support our country.
Paul Frehe
Vistanza Company, Inc.
Hendersonville, N.C.

What About FICA?

Conspicuous by its absence in your cover story was a discussion of the FICA (Federal Insurance Contributions Act) tax. Aside from a brief mention of it in the plan of Sens. Pete V. Domenici and Sam Nunn, little was mentioned with regard to the tax that is truly the scourge of the middle class. Including the so-called employer contributions, 15.3 percent of everything most people make is paid to the federal government for Social Security and Medicare. And there are no deductions to ease the pain.

Rep. Richard K. Armey says the present withholding system is the most egregious "of all the deceptive government practices." How, then, does he feel about the FICA system, which not only uses the withholding approach but also makes the withholding appear to be only half the real bite that is being taken? If we adopt either Armey's plan for a flat tax or

Rep. Bill Archer's plan for a consumption tax, do we leave FICA intact?
Bobby Griffiths
Minneapolis

A Graduated Tax In Reverse

A national sales tax is a graduated tax in reverse—the poor are in the high brackets. They would have to pay taxes on all their income because it takes all their income to live. Moreover, a national sales tax would bring in the least amount of income when the need is greatest. Tennessee depends almost a hundred percent on sales taxes; it was hurting during the last recession.

Remember when the federal government taxed yachts and other luxury items? The rich simply didn't make purchases, taxes weren't collected, and middle-class folks who made yachts were out of work. Canada has a huge sales tax. That's why you see the parking lots of U.S. malls near the border filled with cars

with Canadian license tags. A national sales tax would create a huge under-the-table economy.
W. M. Buescher
Pigeon Forge, Tenn.

A Huge Vested Interest

A national sales tax will most likely never happen. The vested interest—both government and private—in an income tax is huge. Hundreds of thousands, maybe millions, work in the income-tax industry.
Richard Abell, President
Ram Fabricating Corp.
Syracuse, N.Y.

Teamwork A Foundation Of Most Good Companies

I would like to start my own small business someday, and reading "Building Teamwork For Fun And Profit" [Managing Your Small Business, April] made me think of some important issues. I especially liked the part on employee motivation. I realized that most successful businesses are built on teamwork. The article helped me set goals for myself and for my future employees.
Crystal McKee
Burt, Mich.

Mention Of Religion Was Welcome

I was pleasantly surprised by the article "A Firm With Lots Of Drive," in Making It for March. In a time when people with religious convictions (especially Christians) are ridiculed immensely, you chose to print an article with not only a mention of Christianity but also the whole business perspective of these gentlemen, seemingly in its entirety. Many editors would have cut it down to a single sentence.
Karen Goode
Lapeer, Mich.

Correction

The May cover story incorrectly identified Rep. Sam Brownback of Kansas as president of the Republican freshman class in the House of Representatives. Rep. Roger Wicker of Mississippi is the GOP freshman class president.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may also fax your letter to (202) 887-3437, or transmit it to our CompuServe address: 76436,1735. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.*

Entrepreneur's Notebook

By Barbara Bobo

Building A Business Using Contractors

I cooked up the first batch of soaps one afternoon in 1986 on my kitchen stove in St. Paris, Ohio. I was hooked on the process and the results from the start.

My all-natural herbal and floral soaps were modest sellers in my herb shop, but once I started shipping to California, they became favorites in health-food stores there. Even so, my cooking pots, kitchen, and basement adequately served a 60-bars-a-batch production process.

Producing soaps using the formulas of America's pioneers and the ancient Greeks—blending oils, lye, herbs, and pigments by hand—requires the coordinated efforts of several people. In the case of my company, Woodspirits Limited Inc., those efforts were made solely by my husband, three sons, daughter, and me, working from a converted building in the back yard. (We moved the operation out of the house as our batch sizes grew.)

That changed in 1991, when demand began to surpass our production capabilities. It looked like a good time to hire, but, given the twin needs of expanding production and creating a distribution system that would cut shipping costs (the soap's natural ingredients have a three-month shelf life), I saw a more efficient solution. I decided to use independent contractors.

Today, Woodspirits has just three employees: a full-time office manager, a part-time shipping clerk, and me. Sales, which were $11,000 in 1989, reached $583,000 last year, with a 15 percent profit margin. We produce more than 300,000 bars of soap annually.

Creating a network of independent contractors hasn't been problem-free, but it has proven effective. The contractors—two in Ohio and one each in California and Nebraska—produce the soaps to our specifications and distribute the finished products to our retail outlets. The contractors get 50 to 60 cents per bar of soap.

Building a business around contractors can be a learning experience. Here are elements crucial to success:

■ Establish quality-control issues, and look for people who can meet your standards. Traditional companies expand or build satellite plants, thereby maintaining control of production themselves. For us, the key to using contractors is imbuing them with our methods and standards so customers can't tell the difference between soap made in Ohio and that made someplace else. In a small business, that means separating the hobbyist from the entrepreneur.

Many people make soap at home, but our soap is no hobby, and we want contractors who are serious about it. We visit sites to ensure our comfort with a contractor's capabilities. We also provide training and bring prospective contractors to Ohio to see how we operate. If the fit doesn't feel right, we look for someone else.

■ Write a contract. Handshake deals are tempting and easy, but you shouldn't divulge your secrets without recourse; you should protect them in case the relationship dissolves.

Our teammates have strict confidentiality and noncompete clauses in their contracts. Additionally, the contracts help establish that team members are not actual employees, a crucial distinction to the Internal Revenue Service.

■ Keep in close touch with retailers. While solid contractor relationships are important, contractors are your intermediaries. Our retailers typically charge between $4 and $7 for our 3-ounce bars of soap; if they stop believing in the product, I want to know today. To help ensure strong relationships with retailers, all orders come directly to me and are then faxed to the appropriate contractor or filled by my family and me. Also, when traveling near a shop where our soaps are sold, I make it a point to pay a visit.

When the retailers are happy and the consumers are buying the product, you have proof—as I do—that a team of independent contractors can be a successful way to run a business. NB

PHOTO: JIM CALLAWAY

Soap maker *Barbara Bobo turned a stove-top operation into a half-million-dollar company.*

Barbara Bobo is founder of Woodspirits Limited Inc. in St. Paris, Ohio. She prepared this account with Nation's Business *Contributing Editor Susan Biddle Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

What I Learned

A network of independents offers an effective way of expanding while controlling costs and maintaining quality.

Dateline: Washington

Business news in brief from the nation's capital.

Record Republican Gains

Republican candidates for the 435 House seats won nearly 9 million more votes in 1994 than in 1990, the last elections held at the midpoint of a presidential term. The previous record midterm-to-midterm gain in votes was 6.3 million, registered by Democrats from 1930 to 1934.

1994 House Votes | Votes Gained/Lost 1990-1994 (In Millions of Votes)

Republicans	Democrats	Region	Republicans	Democrats
10.32	7.86	SOUTH	+3.80	−0.80
10.15	8.41	MIDWEST	+2.18	−0.96
8.24	7.42	WEST	+1.69	+0.40
7.89	8.00	EAST	+1.32	+0.58
36.59	**31.70**	**TOTAL U.S.**	**+8.99**	**−0.77**

SOURCE: CONGRESSIONAL QUARTERLY

CHART: GEORGIA LEIGH MCDONALD

REGULATIONS

OSHA Repetitive-Motion Rule Narrowed; Budget Cuts Eyed

Republicans in Congress have been at odds for months with the Occupational Safety and Health Administration over OSHA's far-reaching draft regulation concerning repetitive-motion injuries.

The House voted recently to shave $3.5 million from OSHA's budget for this year to hamper the agency's efforts to finalize such a regulation. The Senate has not voted for such cuts, which are before a House-Senate conference panel.

Now, OSHA Administrator Joseph Dear has made it clear any repetitive-motion proposal the agency ultimately issues will be much narrower than the draft rule that riled GOP lawmakers when it was circulated last June.

OSHA's efforts to craft an "ergonomics hazard" regulation stem from Labor Department statistics indicating there have been steady increases in the number of workers suffering from injuries related to performing repetitive tasks.

But this rule making has been controversial, with some employers concerned that it might result in mandatory rotation of factory workers or big investments in new office equipment.

Revised draft language now under discussion in field hearings is much narrower than last fall's draft plan. Here's how OSHA has scaled back its plan:

■ Only about 2.6 million employers with documented repetitive-motion injuries or whose workers perform repetitive tasks would be covered. The earlier draft would have covered all 6.1 million employers regulated by OSHA.

■ Covered businesses with fewer than 10 employees would get at least one additional year to comply with major provisions of a final rule. The earlier draft made no distinction based on business size.

■ Employers no longer would be required to provide eye examinations and corrective lenses for employees who routinely work at computers.

■ Employers now would be free from OSHA oversight if they already have an effective ergonomics program.

Dear has not decided when to publish the official proposal, but the smaller-scope draft plan is now the basis for discussions, the agency says. ■

TAXES

Bill Would Ease Taking Of Home-Office Deduction

Small-business owners could benefit from a tax bill that would loosen current restrictions on the home-office deduction.

The measure, included in tax legislation passed by the House in April, in effect would reverse the Soliman decision, a highly publicized 1993 ruling by the U.S. Supreme Court.

In that case, the high court held that an anesthesiologist who spent most of his time providing services at hospitals was not entitled to a deduction for home-office expenses because his home was not his "principal place of business." The court took that position even though the anesthesiologist performed administrative, planning, and billing activities in that office and had no other location outside his home to do so.

Under the House bill, a home office qualifies as a taxpayer's principal place of business if it is used by the taxpayer to conduct administrative or management activities for a trade or business and the entity has no other fixed location. In addition, the measure would allow home-based sales people to deduct the cost of space used in their homes for storage of product samples.

The Senate is scheduled to consider a tax package as it weighs budget proposals for the 1996 federal fiscal year, which begins Oct. 1. Tax experts say the home-office deduction could win in the Senate. ■

FOR THE RECORD

■ **Reauthorization of the Paperwork Reduction Act** was approved by Congress and was expected to be signed by President Clinton in late May at a White House ceremony.

The final bill mandates a 10 percent annual reduction in federal paperwork for two years, then a 5 percent yearly reduction thereafter. It also requires agencies to substantiate estimates of paperwork required by their rules.

■ **The Environmental Protection Agency** wants to promote business recycling of certain common hazardous wastes, including batteries and pesticides. Under a final rule, states will have flexibility to regulate collection centers for such materials if they are opened, and EPA will ensure that there will not be a burdensome approval process.

To learn more, call the EPA at 1-800-424-9346, or in Virginia call (703) 412-9810. NB

Managing Your Small Business

Video as a marketing tool; getting your name out by sharing expertise; managing energy expenses.

By Roberta Maynard

SALES COMMUNICATION

Making Your Message Colorful And Dynamic

What's the most effective tool for training employees, promoting your business, or demonstrating your product or service to faraway clients?

The answer is videotape, says Fred DeFalco, vice president of Arvida Realty Sales Ltd., in Boca Raton, Fla. DeFalco has been sold on video ever since he got his first training in that medium as a young salesman.

Video—a colorful, dynamic way to show properties—is a natural in the real-estate business. Sometimes, Arvida agents tape footage of a single home to send to out-of-town clients. More often, agents provide prospects with one of Arvida's most-used videos—a five-minute overview of the south Florida region, including a variety of properties available. DeFalco says this video has been particularly successful in reaching companies considering a move to the area.

DeFalco also uses video extensively for training. He purchases some training videos but also tapes his staff's sales presentations for in-house critiques. For special video projects, such as the regional overview, he hires a professional video production company.

Use of videotapes in business has increased dramatically in recent years, partly because many people have become watchers rather than readers, says Mike Greene, president of Classic Video Productions, in Fort Lauderdale, Fla. Another reason is that many service firms find them ideal for demonstrating what they do.

PHOTO: ©CHRISTOPHER CASLER

Real-estate *executive Fred DeFalco uses videos to take prospects on a tour of properties.*

The applications for video are widespread. Greene has taped a five-minute video for a funeral home that wanted to shorten sales calls, and he has made a training presentation for an upscale health spa that wanted to teach employees how to satisfy difficult customers. Other instructive Classic videos have been made for construction superintendents, repair technicians, prospective catering customers, and buyers closing on a home and preparing for a walk-through of the property.

"Making a video doesn't have to be expensive," says Greene. "We did an on-site tape showing a person walking through a sheet-metal factory explaining the process. If it's done well, this approach can be simple yet powerful."

A production-quality video costs at least $2,000 to $3,000, but a business can tape its own presentations—suitable for many uses—for considerably less. ■

UTILITY COSTS

How To Avoid Wasting Energy

Ever wonder what you can do to save on energy bills?

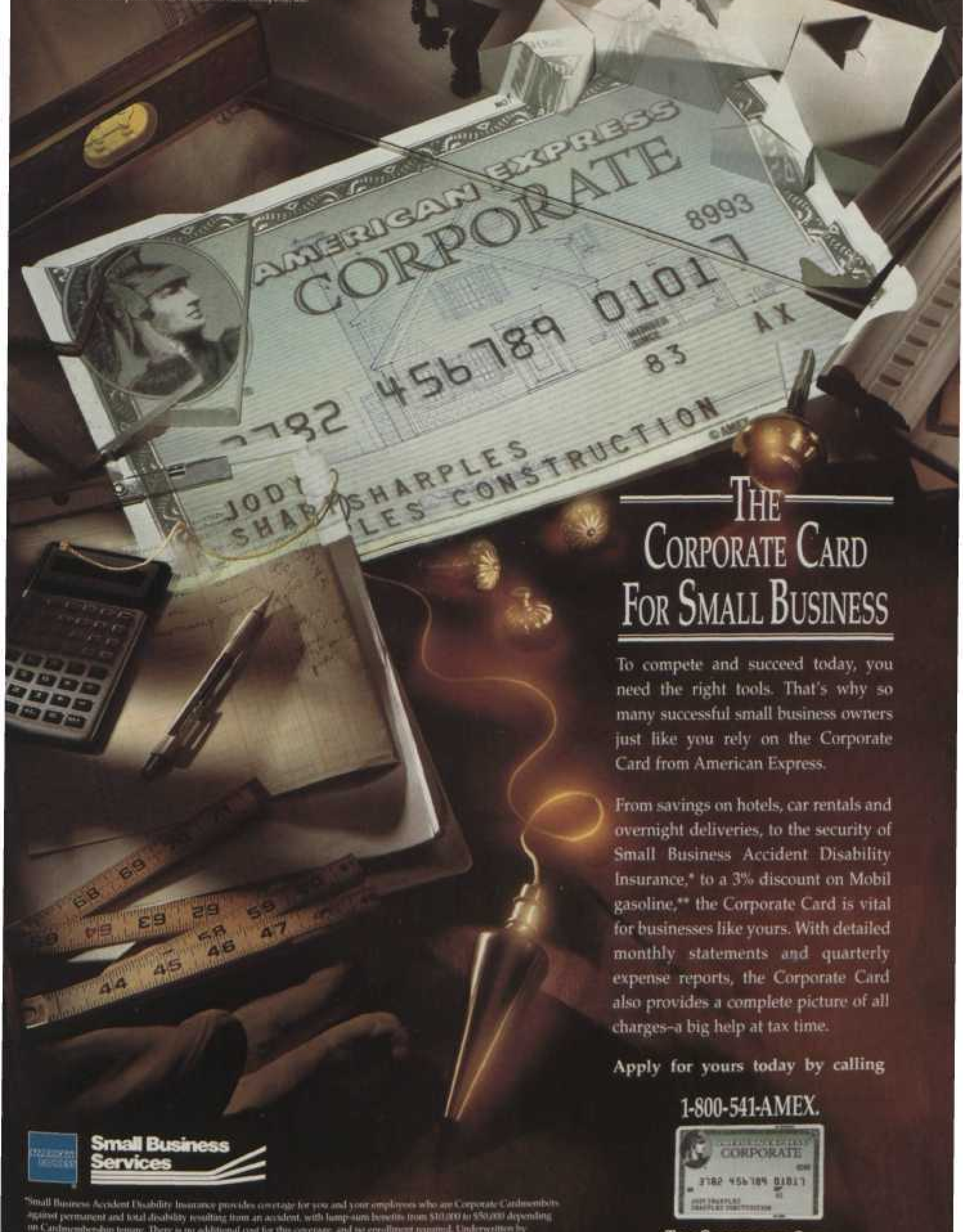
There are two ways to find out, according to the Edison Electric Institute, a Washington, D.C., trade association for investor-owned electric companies.

The easiest and least expensive way is a walk-through audit, which can be done by your operations or maintenance personnel or by your local electric utility—often at no charge. Such an audit involves gleaning basic information from your utility bills, reviewing workers' habits and procedures, and recommending energy-saving improvements. Several Edison Electric Institute publications have checklists that can help you carry out the audit. The business-specific booklets also give details on managing energy costs at supermarkets, restaurants, retail stores, health-care facilities, hotels, schools, and convenience stores.

The booklets cost $3.50 each, shipping included. To order, call the Edison Electric Institute at 1-800-334-5453.

Another option is an analysis audit, which can be done for a fee by your local electric company or by a qualified energy consulting firm. This computerized audit is more detailed than a walk-through audit and usually offers more extensive—and expensive—ways to achieve major energy-cost savings.

To find an auditor, call your electric utility or check the Yellow Pages under Energy Management and Conservation Consultants. If you decide to choose an energy consultant, you should make sure the person is qualified as a certified energy manager by the Association of Energy Engineers and that he or she is not tied to any one manufacturer. ■



THE CORPORATE CARD FOR SMALL BUSINESS

To compete and succeed today, you need the right tools. That's why so many successful small business owners just like you rely on the Corporate Card from American Express.

From savings on hotels, car rentals and overnight deliveries, to the security of Small Business Accident Disability Insurance,* to a 3% discount on Mobil gasoline,** the Corporate Card is vital for businesses like yours. With detailed monthly statements and quarterly expense reports, the Corporate Card also provides a complete picture of all charges–a big help at tax time.

Apply for yours today by calling

1-800-541-AMEX.

Small Business Services

THE CORPORATE CARD TO YOUR SUCCESS

*Small Business Accident Disability Insurance provides coverage for you and your employees who are Corporate Cardmembers against permanent and total disability resulting from an accident, with lump-sum benefits from $10,000 to $50,000 depending on Cardmembership tenure. There is no additional cost for this coverage, and no enrollment required. Underwritten by AMEX Assurance Company, Administrative Office, Green Bay, WI. (Policy LTD 373 2609)

**Account must be in good standing at time of purchase to receive savings. Not valid on diesel fuel. Purchases must be made on the American Express Corporate Card or the Executive Corporate Card for Small Business.

PUBLIC RELATIONS

Enhancing Your Reputation As An Expert In Your Field

One way to gain an edge over the competition is to organize local activities that showcase your expertise. Polly Evans, president of Case Design/Remodeling Inc., in Falls Church, Va., and Bethesda, Md., has been doing just that.

Each spring, Evans organizes a kitchen-remodeling competition for drafting students at local high schools. Evans talks to individual classes, presenting a crash course on the basics of home remodeling.

She provides students with several "tools," including a floor plan of an existing kitchen and a list of the hypothetical client's wishes. The students then have two months to complete their designs, and they are free to call Evans with questions. A panel of industry experts judges the entries, and the winner is awarded a paid summer internship with Evans' company.

Six years ago, Evans began working with just one class of about 15 students; now, the effort includes 15 area schools and about 80 students a year.

The program results in quite a bit of free local publicity and, of course, reaches the students' parents, who someday may be interested in having a kitchen or a bathroom remodeled.

The design competition is just one of many strategies Evans uses to get her firm's name out and establish herself as an authority in her field.

She also offers practical workshops on remodeling and publishes a quarterly newsletter for clients and prospects.

"In a competitive area like mine, you can't just sit back," says Evans. "You have to build your reputation. This design competition is one more thing that we do for the community that helps people realize who we are." ■

PHOTO: T. MICHAEL KEZA

Remodeling-firm *president Polly Evans works with students such as Christian Arllen of George Mason High School in Falls Church, Va.*

DIRECT MAIL

When You Put It In Writing, Give It Class And Impact

An effective sales letter is a powerful tool, yet business letters often are not written as well as they could be to achieve maximum effect.

Here are some tips for developing a good direct-mail piece, offered by Denver marketing consultant Brent Green:

■ Select affordable but high-quality paper for your letterhead—at least 25 percent cotton-fiber bond—to make sure the pieces look professional. And generally you should choose the same quality of paper for your envelopes and enclosures.

■ If you succeed in getting a prospect to open the letter, make sure you hold the person's attention. You should get to the point immediately by answering the prospect's most likely question: "What's in it for me?"

■ Good letter writers don't waste words or time. Short words and short, clear sentences make reading easier. And short paragraphs help drive home each point clearly.

■ One of the best visual techniques for easier reading is underlining, provided it is not overused. Try to underline no more than two or three key sentences or phrases on each page. Key benefits, offers, and testimonial statements are the best candidates.

■ A good testimonial should be a clear endorsement of a key benefit of your product or service, not a general "I just love it." An endorsement should be no more than 15 to 25 words long. For credibility, you should use the entire name, title, company, and location of your endorser. It's best to use several testimonials focusing on different aspects of the product.

■ The fastest way to a sale is making a good offer: Include a free sample; offer an extended guarantee or a discount on a new purchase for a trade-in; reduce a down payment; discount introductory orders; offer a free fact kit about your business or product; or provide a free evaluation of the customer's needs, to be done by your technical expert.

■ Look at every piece of mail you receive, particularly the mail sent by your key competitors, and look for ways to make your own pieces better.

These are just a few of the 45 tips Green offers in his practical brochure, *How To Write Selling Letters.* To order a copy, call Brent Green & Associates Inc. at (303) 368-7682. The $9.95 cost includes a $1 shipping fee. NB

NB TIPS

Planning Seminars Slated

Two free business-planning seminars are being offered via satellite to members of the U.S. Chamber of Commerce. One is on retirement planning, July 19, and the other is on succession planning, Aug. 2. Both will be aired from noon to 1:30 p.m. Central time. They are being presented by the Chamber and the St. Louis investment firm of Edward D. Jones & Co. in cooperation with *Nation's Business.* To learn about viewing sites near you, call 1-800-835-4730.

Marketing Info On Line

The American Marketing Association's new Business-to-Business Marketing Exchange on the Internet provides information about how to market to other businesses.

The exchange's address on the World Wide Web is http://www.btob.wfu.edu.

For more information, call Jim Narus, a marketing professor at Wake Forest University who runs the exchange, at (910) 759-5417. ■

With a complete line from desktop to high volume, Royal Copystar copiers can handle whatever your business asks of them (there's even one that punches holes in paper). So no matter what you put into them, you can be sure it'll come out clean and crisp.

ROYAL COPYSTAR

Call 1-800-824-STAR

Making It

Growing businesses share their experiences in creating and marketing new products and services.

Exercise As Theater

By Michael Barrier

It is early on a Monday morning, and dozens of women (and a few men) are sweating cheerfully together in a large room in Carlsbad, Calif., north of San Diego. They twist and turn, and stretch and flex, to the insistent rhythms of popular songs. To the best of their abilities, they make their actions mirror those of their instructor, a lean, intense, sunshine-bright blonde—but they do hang back when she turns a cartwheel.

It is a nifty cartwheel, especially, one might say, for a 51-year-old. But then, the whole idea behind Jazzercise—an exercise program of calisthenics and dance—is to give its students some of the fitness and flexibility that make a cartwheel possible.

Judi Sheppard Missett, who started Jazzercise as an exercise program and then as a company more than 25 years ago, still teaches Jazzercise classes—and still turns the occasional Monday morning cartwheel—in a large exercise studio at her company's headquarters. "I usually teach something every day," she says, "especially when I'm heading into a taping."

The choreography that her instructors use all comes from her; she videotapes 30 new routines every 10 or 11 weeks, and that tape goes out to 5,000 franchised instructors around the world.

"You're limited creatively" in devising routines, Missett says, because the students are "not dancers, they're not trained. You can't ask things that are too dramatic of them." So, she says, "you change the rhythm pattern, or you add an arm movement. That's my challenge—to keep it full of variety and newness," even within relatively narrow boundaries. It is her success in doing that, Missett believes, that accounts in large part for her company's success ($15 million in revenues last year).

Missett comes naturally by her interest in what she calls "the entertainment value" of her classes. She was an entertainer before she became a business owner. Even before she graduated with a degree in theater and radio/television from Northwestern University, in Evanston, Ill., she worked as a professional dancer. In 1969,

The founder of Jazzercise, *an internationally franchised exercise program, Judi Sheppard Missett still leads classes to keep close to her customers.*

she began teaching jazz dance one day a week at a dance studio in Evanston.

"There were so many women coming through my classes that didn't stay," she says, "and it always upset me when anyone didn't come back." Then she realized that she was teaching the class as if her students wanted to be professional dancers, even though they didn't.

She decided to combine elements from dance and calisthenics—shedding dance's more rigorous demands so her students could enjoy the concrete benefits of exercise. She had 15 people in her first class; "the third class, there were 60 people, and the room wouldn't hold any more."

She had married Jack Missett, a reporter for a Chicago television station, and in 1972 they moved to the San Diego area, where Jack had strong family ties (Judi grew up in Iowa). In California, she started teaching more. Her class load grew so heavy that she trained five new instructors—former students—and, to Missett's delighted surprise, "people loved them." Out of the new instructors' classes, more students emerged as teachers.

Jazzercise was then, and is now, a program for women, taught by women. About 99 percent of both instructors and students are female. Missett expects the percentages to stay that way because she thinks that Jazzercise and men were not made for each other. "Little boys grow up thinking it's effeminate to move rhythmically to music," she says, "and so they do activities that don't require so much coordination or flexibility."

Jazzercise will also continue to be a female-run company. Although Jack Missett is involved in many aspects of the company—particularly its video-production arm, which now does far more outside work than it does for Jazzercise—there is no question but that Judi Missett runs it.

Daughter Shanna Missett, 26, oversees the company's international operations. Like her mother, she teaches several classes a week—and she echoes her mother when she says, "I can't imagine working here without teaching classes."

Judi has no thoughts of selling the company or going public. "I guess I'm a control freak," she says, "and I don't want to lose control. I'm still having a great deal of fun doing what I do. And I have my daughter kind of waiting in the wings." ■

Security For Success

By Laura M. Litvan

Santos Garza had no management experience when she was offered the chance to buy a fledgling, cash-starved business in 1987—a proposition many would find too risky. But to Garza, a former emergency-room nurse and police officer, hazardous work has always come with the territory.

"Having chased burglars, armed burglars, through back yards, it's very hard to get real scared walking into a boardroom," she says.

Garza's 300-employee high-tech security company, Counter Technology Inc., of Bethesda, Md., provides a wide range of services, from "debugging" sweeps of corporate offices to detailed airport security plans. It has grown rapidly, from $88,000 in revenues in 1987 to $14 million in 1994.

Garza's background in law enforcement in Aurora, Ill., made security work a natural fit, she says. She worked in an emergency room in the 1970s, then spent nine years on the local police force. During that time she met a Bethesda, Md., security consultant who paid her to help with some debugging work.

The consultant had recently launched CTI, but it was struggling. Garza quit her police job in 1987 and bought him out, selling her gun collection and using her pension money to help fund the purchase. She moved to Maryland, inheriting CTI's sparse office space and four employees. Despite scarce resources, however, she took over an impressive client list—which included Arthur Andersen & Co. and British Petroleum PLC—and increased revenues by providing new services for them.

PHOTO: CHRISTOPHER KEAN

CTI's *Santos Garza in the security command center at Chicago's O'Hare airport, one of her clients.*

But the economic downturn in the late 1980s took its toll. "We could go six months without a debugging assignment, and then we'd have four in one week," Garza says. "It was just too tough."

The company began providing airport security services, including advising on landscaping, and fashioning elaborate communications systems. CTI has been signed on by Northwest Airlines Corp. and USAir Group Inc., and it also works with major airports such as Chicago's O'Hare.

But CTI's biggest move came in 1990, when it was certified to compete for minority set-aside contracts under the U.S. Small Business Administration's 8(a) program. Garza qualifies for participation because of her Mexican-American heritage.

The company has further branched out under the program. Under one five-year, $18 million contract, for instance, CTI's paralegal staff provides the Internal Revenue Service with legal-support services—such as doing research or tracking assets once they are seized.

Currently, more than 70 percent of the company's revenue comes from 8(a) contracts, and Garza views the set-asides as a source of revenue to market CTI in a more competitive environment.

If the company's recent win of a contract in Austin, Texas, is any indication, her strategy is working. CTI last year flew a team to Austin to bid on a security-services contract at the new Austin airport, slated to open in 1998. CTI beat out some big competitors, including San Francisco-based Bechtel Group Inc.

Charles Gates, Austin's director of aviation, says CTI was able to compete successfully because it had a proven track record with other airports. "So far, we're very pleased with the work they're doing," he adds.

While the contract is relatively small—it's worth about $450,000 over four years—Garza sees it as a psychological victory: "It was a real shot in the arm for us." NB

COVER STORY

Welfare Reform: Making It Work

By John S. DeMott

While the welfare-reform debate embroils Congress and state legislatures, Jim Colwin is grappling with the issue in his own way. As the executive vice president of Midstates Aluminum, in Fond du Lac, Wis., Colwin hired Rita McAuly off welfare to operate metalworking machinery in one of the company's fabricating departments.

Says Colwin: "Our company doesn't claim to be a cure-all for the welfare mess. We're just one small company that's trying to do its piece." Says McAuly, who had collected welfare for five years and now earns $7.60 an hour at Midstates, "It's hard getting on your feet, but once you do it, you feel better about yourself."

Similarly, Leone Ackerly's Mini Maid Services Co., Inc., in Atlanta, a franchisor with 87 operations in 28 states and annual sales of about $15 million, has hired nearly 700 women over the years for its four-person house-cleaning teams. Eighty percent had received some sort of public assistance.

PHOTO: KIPRICE BUCHANAN

A good attitude *toward work is what Jim Colwin of Midstates Aluminum likes to see in people he hires, such as Rita McAuly, who works in Midstates' fabricating section.*

"Some other employers see these people as unskilled, as throwaways," says Ackerly, who founded the company in 1973. "But I don't, I think with good reason." She has seen many of them make productive lives for themselves, sometimes exhibiting more determination than those more fortunate.

These employers already are doing what Congress and President Clinton are counting on them and many thousands of others to do to help end welfare as a way of life for millions of Americans: hiring welfare recipients for jobs with a future.

Experts say more such hiring, particularly by small employers, is crucial to making welfare-to-work policies successful and to ending what House Majority Leader Richard K. Armey of Texas calls a "failed system of despair."

Under legislation passed by the House in March and awaiting action in the Senate, the states would take over large chunks of the federal welfare system. They would receive from Washington five lump-sum block-grant payments covering about 40 welfare programs and would get considerable flexibility for deciding how to best use the money to meet local needs.

If the measure is enacted, fewer of the 14.4 million Americans who receive federal cash welfare grants and fewer of the 27.4 million who get food stamps would be able to continue receiving welfare while not working.

The bill is called the Personal Responsibility Act and is part of the House Republicans' Contract With America. The measure says in effect that those who can work will have to do so if they want to receive welfare payments. Benefits would end for all recipients after five years on the welfare rolls, and for some the limit could be two years or less if their states so decide.

Facing a benefit cutoff, and with little in the way of federally created jobs or training programs to turn to, welfare recipients able to work would be forced to find jobs with local employers.

And most recipients would likely start looking for employment where most jobs in the U.S. economy are created—in small

Here are 10 incentives that employers need to move people from public assistance to private payrolls—and help change a "failed system of despair."

10 Incentives

businesses. The principal architect of welfare legislation in the House, Florida Republican E. Clay Shaw Jr., who chairs the Ways and Means Subcommittee on Human Resources, says, "It will be the small businesses of this country that will pull people from the grasp of welfare and give them dignity through work."

Social scientists concur. Says Demetra Smith Nightingale, director of the welfare and training research program at the Urban Institute, a public-policy research group in Washington, D.C.: "Most of the jobs that welfare recipients get will be with small businesses."

Yet small companies are under no legal obligation to hire welfare recipients, and there's no pending federal or state legislation to impose any such obligation. Says one manager: "It's got to be good business for me or I'm not going to do it."

That, say welfare-system experts, means employers will have to have incentives to hire aid recipients instead of persons not on welfare. And, as Midstates Aluminum's Colwin says, "there's no canned approach" to devising such incentives.

Nonetheless, some states and cities are making strides in moving people from welfare to work, producing lessons along the way on how government and the business community can motivate employers to hire welfare recipients. Such efforts are taking place in Wisconsin and Oregon, among other states, and in cities such as Milwaukee; Norfolk, Va.; and Tulsa, Okla. Their results so far, along with the recommendations of social scientists and business people, suggest that the following 10 incentives, taken together, can increase the flow of individuals moving from welfare to work:

Mini Maid's *chief executive, Leone Ackerly, right, advocates a training tax credit; with her, from left, are Dannette Pettengill, Tonya Givens, and Mary Ann Major.*

1. Send employers people with a good work attitude.

Colwin of Midstates Aluminum calls this "work readiness," and he acknowledges it's tough to find among welfare recipients. Many have never seen the inside of a factory or an office and have never punched a time clock, been punctual, or completed tasks according to procedures and deadlines. "What we need is someone who brings with them a good attitude"—a willingness to come to work and actually do a job, he says. "We'll work with them from that point on."

Social scientists agree with Colwin that it will be hard to find welfare recipients with a good work attitude. "You're dealing with fear and low self-esteem among many of these people," says LaDonna Pavetti of the Urban Institute, who suggests that employers "start welfare recipients in jobs where some measure of success can come early."

To help welfare recipients in Norfolk achieve success early on the job, the city and 40 area employers produced a six-week job-preparation program. The focus is on dress and appearance, career goals, and such basic skills as filling out a job application and presenting oneself correctly in an interview.

More than 100 of the 235 welfare recipients who have entered the program since it began in 1992 have been placed with area employers, who seem pleased. Bob Smithwick, executive director of Norfolk's Office of Industrial Development, says employers "tell me it's a good program."

2. Enlist the help of business.

State and community aid officials as well as lawmakers reforming the welfare system should make business "centrally

involved in all phases of the new welfare system's design, development, operation, and evaluation," according to a welfare position paper issued by the U.S. Chamber of Commerce.

The most successful welfare programs, it turns out, are those in which business has been integrally involved, because the needs of business—which include workers to fill available jobs—are addressed in the welfare-to-work programs from their inception.

In Milwaukee, for example, the New Hope Project has brought together the city's famous brewers and such manufacturers as Allen-Bradley Co., a part of Rockwell International that makes electrical equipment and motors, to provide training, jobs, and supplementary services to welfare recipients.

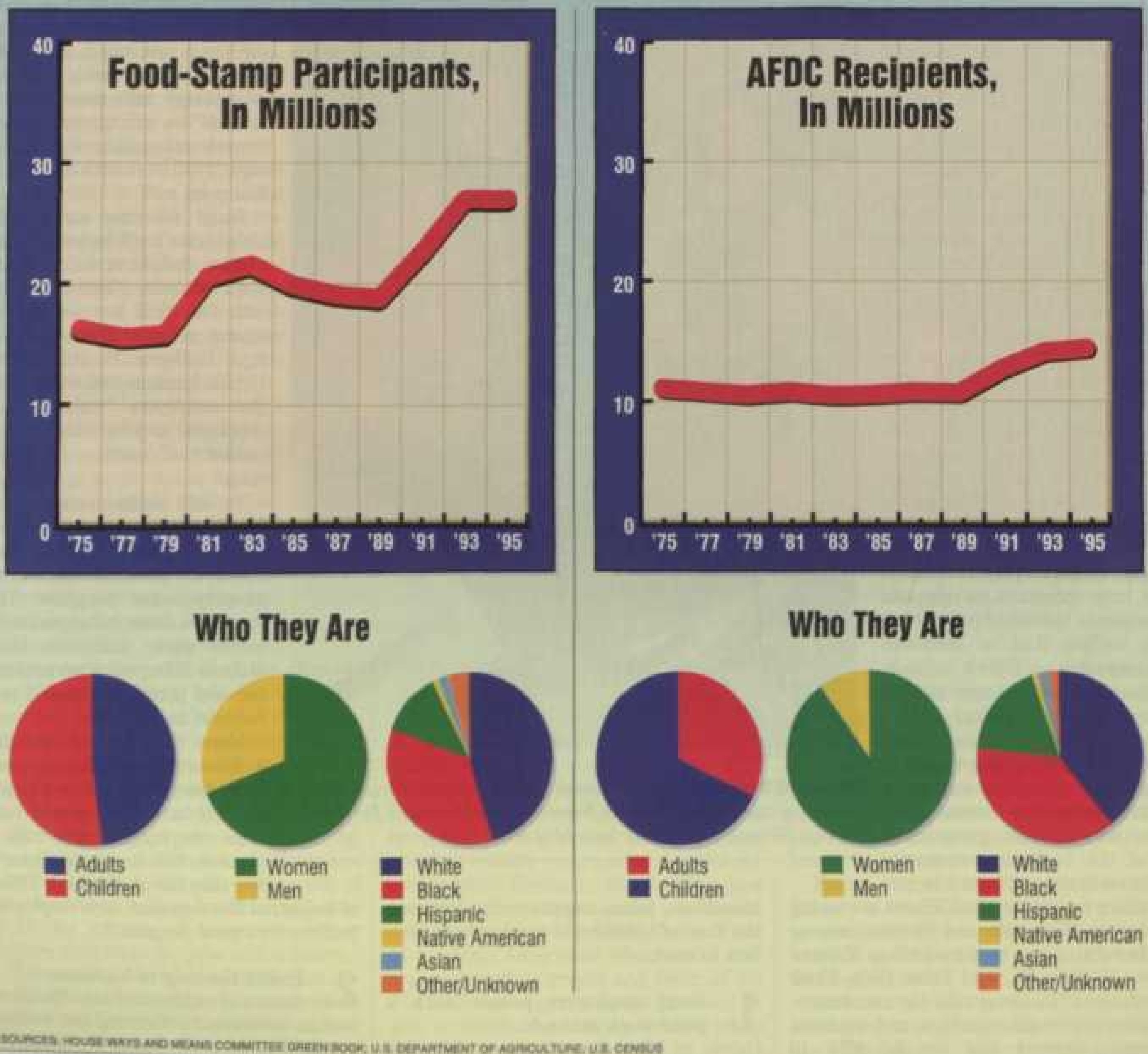
Begun in 1994 by the Greater Milwaukee Committee, an association of businesses, the project attempts to train welfare recipients and match them with available jobs while also providing child care and medical care for them. In 10 months, 184 people have joined the program, and 93 are now working full time.

The program's effectiveness will be monitored by New York's Manpower Development Research Corp., a privately funded evaluator of welfare programs. New Hope could yield new information about what works and what doesn't—such as whether medical care and child care increase the success rate for workers who are hired off welfare. Forty miles away, in the city of Fond du Lac, 80 people, mostly employers, showed up at a meeting in a Holiday Inn to kick off the county's Work, Not Welfare program—a pilot effort that requires able-bodied welfare recipients to go to work or lose benefits after 24 months.

Ed Schilling, director of Fond du Lac's Department of Social Services, says the number of attendees "was phenomenal. We

Who's On Welfare?

Women and children are the primary beneficiaries; all categories of recipients have increased during the past 20 years, with the greatest growth occurring since 1990.



SOURCES: HOUSE WAYS AND MEANS COMMITTEE GREEN BOOK; U.S. DEPARTMENT OF AGRICULTURE; U.S. CENSUS

never in our wildest dreams thought we'd have anything like that." Companies represented ranged from Quad Graphics, one of the largest printers in the country, to such small businesses as Colwin's Midstates Aluminum.

In Tulsa, the Metropolitan Chamber of Commerce and Zebco Corp., a maker of fishing rods, created InDex, a work-training program in which the participants, mostly single mothers on welfare, can earn credits toward their high-school equivalency diplomas.

Participants must show up at the InDex building for sessions lasting eight hours—four for training and four for school work—or lose their welfare benefits. About 40 InDex graduates have been hired by Tulsa area companies; Zebco has hired about a dozen of them.

Businesses typically participate in these programs not only because they need workers but also out of a sense of community obligation. Joe Reitemeier, president of Fond du Lac County's Association of Commerce, with 2,200 members, says: "They're willing to give these folks a chance at a living wage and career opportunity. Employers feel an inherent position of support [for the welfare-to-work program]. We do not hear from employers about 'What's in it for me?' or 'Can I get money for this?' "

3. Lower the cost of hiring a low-skilled worker.

How to do this is problematic, says Robert Haveman, an economics professor at the University of Wisconsin and an expert on national welfare policy. Tax credits, he says, generally "don't get high marks."

The "targeted jobs income-tax credit," started in 1978 and subject to annual renewal by Congress, was allowed to expire in December. It is up for renewal in this Congress. The tax break allowed employers to deduct part of welfare recipients' salaries from business taxes for the first year of the workers' employment, but studies of the program are inconclusive as to whether the credit actually motivated employers to hire.

One possibly effective way to reduce the cost of hiring, Haveman says, would be another kind of tax credit, called the "new jobs tax credit," which was tried without much zest 20 years ago but might fare better now if it is tested with more vigor.

The credit would be paid after an employer increased the company's payroll, with or without welfare recipients. Because many of the jobs created would be low-paying, the theory goes, the job market for welfare recipients would broaden.

Mini Maid's Ackerly favors federal tax credits for training, but she says they're effective only if there's little red tape and paperwork for the employer. Such credits would be a "tremendous boost" to small-business owners, she says. "You have to remember that the person [hired] isn't going to be valuable to you for four to six weeks" until they learn the job's basic requirements.

Concurring is Harry Featherstone, chief executive of Will-Burt Co., in Orrville, Ohio, a custom metal fabricator with $24 million in annual sales. A decade ago, when Featherstone took over Will-Burt, he introduced an employee training program in math and reading skills. Productivity increased dramatically, and flaws in manufactured parts declined.

Featherstone advocates such programs, and he says a tax credit would offer companies greater incentives to train new employees.

But Featherstone believes a tax credit would be warranted only after an independent auditor determined that the training had been successful. "Don't give us a tax rebate until you know you've bought something for it," he says.

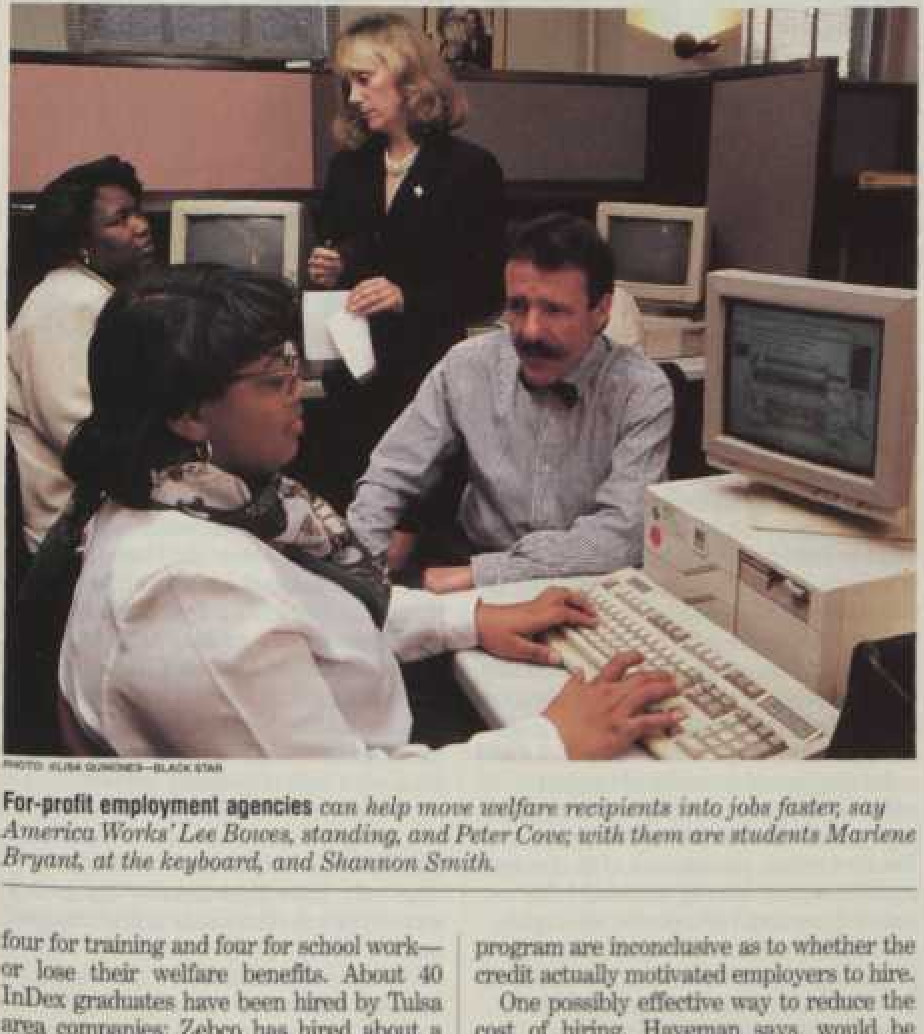


PHOTO: ELISA QUINONES—BLACK STAR

For-profit employment agencies *can help move welfare recipients into jobs faster, say America Works' Lee Bowes, standing, and Peter Cove; with them are students Marlene Bryant, at the keyboard, and Shannon Smith.*

4. Organize welfare programs so that recipients are required to look for jobs.

Such requirements are rare, to the consternation of conservatives and many others, who now welcome efforts by states to have welfare recipients work for their benefits.

Requiring work puts the burden on the prospective employee, so goes the thinking, and once hired, the employee has a greater incentive to stay on the job.

Liberal thinking, say such welfare-system critics as Peter Cove, has been directed not at actually moving people into jobs but at keeping them in endless training programs that "aren't attached to the labor market." Cove owns and runs New York City's America Works, a private, for-profit job-placement organization for welfare recipients.

Those past approaches, Cove says, have not motivated welfare recipients to go to work and become self-sufficient; neither have they pressured welfare managers to get people jobs. "All you had to do was keep them in classrooms," he says.

Even in states with progressive approaches to welfare, some of the old attitudes linger. Oregon's Jobs Plus program has placed only about 100 people with employers in six months. It could place hundreds more, says Ted Abram, a spokesman for Jeld-Wen, a window manufacturer: "One of the big problems is the mind-set of some people that [welfare recipients] should be protected and shouldn't have to go to work," he says.

Lawrence Mead, a visiting professor at Princeton University's Woodrow Wilson School of Public and International Affairs and author of several books on welfare

policy, says that although the Clinton administration's welfare-reform proposal of a year ago would have required people to go to work after two years of receiving benefits, it also "would have exempted anyone born before 1972 and would have let the states decide who has to go out and look for a job."

Requiring work for welfare has a political benefit, too, says Gary Burtless, an economist with the Brookings Institution, in Washington. And that is to give middle-class voters, a group that includes many small employers, some justification to support welfare policies in general, however reluctant they may be.

That's important, he says, because the federal welfare system's largest group of beneficiaries is children. One in seven American children—about nine million in all—live in families that receive some form of public assistance.

5. Establish an intermediary between the welfare recipient and the employer.

In the jargon of welfare professionals, a "job developer"—a sort of matchmaker—can smooth the transition from welfare to work for both employer and employee.

One such person is Susan Warner, who works for a nonprofit organization that has the contract from Oregon's Jobs Plus to match employers and employees. She has about 50 client companies and about 200 welfare recipients, and they are sometimes wary of each other.

"There is a lot of one-on-one counseling," Warner says. "About 25 percent [of the welfare recipients] don't want to work. It's easier to stay at home than to go out there. But I so admire the ones who do. It's really bold of them. It takes pride and confidence to go out and go into a workplace."

Among Malheur County employers, Warner is well known and trusted as someone who will work with them to send them people they can work with, greatly simplifying the hiring search. Rae Ann Hollingsworth of the Ontario, Ore., law firm of Yturri, Rose, Burnham, Bentz & Helfrich, hired a welfare recipient as a secretarial trainee. She says intermediation "is the essential key element in making the program a success."

6. While recognizing the needs of the potential employee, try to recognize and fill the needs of the employer.

Welfare program directors and others involved in job placement should be sensitive to the intricacies of the employer-employee relationship, says Warner, as well as to the shifting needs of business, particularly small business, and should try to cater to them.

The smaller the business, the harder it

In Congress, So Far. . .

Debate over welfare reform is clanging on Capitol Hill these days with the attention-grabbing ring of a Salvation Army solicitor's bell on an American street corner.

The Personal Responsibility Act, passed by the House in March and now pending in the Senate, would save $66.3 billion in federal spending over five years by turning over many welfare programs to the states. The measure would cut benefits in some areas, deny benefits to residents who are not American citizens, revoke driver's licenses and professional credentials from people who don't pay child support, and allow wide latitude to states to craft their own welfare programs, set eligibility standards, and require recipients to work for their benefits.

PHOTOS: T. MICHAEL KEZA

Adversaries: *Republican Bob Packwood and Democrat Daniel Patrick Moynihan will shape Senate welfare legislation.*

The bill would end the federal entitlement status of some welfare programs for the first time since the New Deal of the 1930s, effectively repealing part of the Social Security Act of 1935. One section of that law established federal cash payments to widows and orphans, known now as Aid to Families With Dependent Children (AFDC), which provides aid to the poorest Americans. Those who meet AFDC criteria based on need receive the welfare payment automatically. Under the House bill, the criteria would be set by the states.

Affected would be many of the 14.4 million adult Americans who receive AFDC payments on behalf of 9 million children. The 27.4 million participants in the government's food-stamp program would also be included, as would others who have benefited from a plethora of federal welfare programs—altogether about 40—taking up the lion's share of total federal welfare spending of about $289 billion a year.

Under the House-passed bill, $32 billion in what has been federal welfare spending would be funneled over five years into five block grants—essentially lump-sum payments to the states. These would be based on the amount the states received in fiscal 1994 for AFDC, school lunches, and other, smaller aid programs.

To cushion against periods of high unemployment, states would be permitted under the House bill to set aside some of their block grant money in a "rainy day" fund that they could draw upon when welfare caseloads exceeded expectations.

Under pressure from farm-state politicians, the $27 billion food-stamp program would continue, at least for now, as a federal program. But, under the bill, food stamps would be denied to able-bodied adults between 18 and 50 who aren't working after 90 days. Now, there is no time limit on food-stamp benefits, but participants' eligibility must be renewed periodically.

Most governors support the block-grant idea for entitlement programs (including Medicaid, which is not affected by the House bill) but without strings. Michigan Republican John Engler has encouraged Congress to turn over federal welfare money to the states to create "50 laboratories of reform." He and other governors worry, though, that Washington will attach strings to the grants, limiting states' freedom to craft welfare programs.

Welfare reform now rests in the Senate, where its future is uncertain. A fight as rancorous as the one in the House is likely. New York Democrat Daniel Patrick Moynihan, a shaper of welfare policy for a generation and the ranking minority member on the Senate Finance Committee, through which any welfare legislation must pass, says: "The bill is cruelty to children. There are provisions there that make you think what kind of a society are we?"

Outranking Moynihan on the committee, though, is its chairman, Republican Bob Packwood of Oregon, who says, "Basically, I like block grants." But he has insisted also that he wants to craft his own welfare bill.

Whatever the intensity of the debate, dramatic welfare reform seems almost assured. At a televised press conference in April, Clinton urged Republicans and Democrats to lay a bipartisan welfare-reform proposal on his desk for his signature by July 4 "so that we can celebrate Independence Day by giving Americans on welfare the chance . . . to move to independence."

There is widespread feeling that President Clinton will give the Republicans about what they want on welfare reform, in exchange for a more conciliatory approach to environmental-law changes. Says House Speaker Newt Gingrich: "I don't think Clinton will veto a welfare-reform bill."

PHOTO: ©TROY D. MABEN

Through Oregon's Jobs Plus *program, Floranne Ball, left, obtained a clerical job at the Hindman counseling center; here she meets with supervisor Michelle Forsgren.*

can be to place someone with the company. For example, the business might be starting to move from reliance on relatives' volunteer labor to the level of hiring someone for pay. At that point, says Warner, the "business doesn't need someone when it's convenient for the person. They need someone there during their critical times of business."

Frequently, matches are difficult. One restaurant in Warner's Malheur County needs someone from 11 a.m. to 3 p.m. six days a week. But that would certainly almost rule out welfare mothers with small children, or others who must look for work during the lunch rush period.

7. Remove legal disincentives to hiring welfare recipients.

Because hiring unskilled people off welfare is at best a risky move for an employer, the U.S. Chamber of Commerce favors placing these employees on a probationary period for up to six months.

During that period, they couldn't sue under federal employment regulations pertaining to laws such as the Fair Labor Standards Act, the Americans with Disabilities Act, and the Occupational Safety and Health Act.

Frivolous or expensive lawsuits stemming from such laws are major disincentives to taking a known hiring risk, says Jeffrey H. Joseph, the Chamber's vice president for domestic policy. They serve only to punish employers who, in good faith, hire welfare recipients.

8. Enforce participation by welfare recipients in welfare programs.

Wisconsin has firm administrative control over its welfare caseload, with clear lines of accountability and clear and consistently enforced criteria on who can receive welfare, for how long, and under what circumstances.

Wisconsin, having received federal waivers from certain welfare-program rules, also has authority to cut people off welfare if they don't meet requirements such as looking for work or holding down a job. In Fond du Lac's Work, Not Welfare program, for example, welfare recipients get benefits for 24 months, but they must work for them at such activities as short-term training that leads directly to jobs or in community-service jobs with organizations such as Goodwill Industries, the nationwide nonprofit organization that collects and distributes discarded clothes and other goods.

For such jobs, they receive $4.25 an hour, paid from a pool of welfare funds by Work, Not Welfare. If they skip work, their pay is docked by welfare officials upon notification by the employer. After 24 months, benefits stop, and the able-bodied among them must find permanent work.

This "sanctioning"—the ability to withhold welfare benefits and remove people from the welfare rolls if they don't meet work requirements—is the critical issue in making any welfare-to-work program successful, says Cove of America Works. "If the bureaucrats are incapable of sanctioning, you can just throw away all these nice ideas and all these nice programs."

9. Encourage private employment agencies to locate, screen, and train welfare recipients.

Exemplified by America Works of New York City, this approach links the profit motive of businesses to placing welfare recipients in jobs.

America Works has job-placement contracts with its client cities—currently Hartford, Albany, Indianapolis, and New York. It charges about $5,000 for each welfare recipient it places in a private company or nonprofit organization. The company isn't paid in full until the jobholder has been working for six months. For each successful placement, a client city typically saves up to $24,000 over a year of welfare benefits.

Cove, a former 1960s War on Poverty worker, founded America Works a decade ago. He runs it with his wife, Lee Bowes. The organization has placed about 8,000 welfare recipients in jobs.

Critics say Cove's approach skims the best of the welfare-recipient job applicants and leaves the truly unemployable to public placement services. Those have been largely ineffective in dealing with huge welfare caseloads like New York City's, where in 1994 there were about 1.1 million people receiving public assistance at any given time, and where Mayor Rudolph Giuliani is moving to rapidly reduce welfare rolls by revamping eligibility standards.

Says Cove: "We take whoever comes in the door. That's not skimming." Cove acknowledges that the hardest part of America Works is "getting government to do business this way"—turning to private employment agencies and expecting welfare recipients to stay on a job and earn a salary.

Nevertheless, the America Works approach has won the endorsement of Republicans Giuliani and House Speaker Newt Gingrich as well as the Democrat-leaning Progressive Policy Institute, former New York Democratic Gov. Mario Cuomo, and Haveman, the Wisconsin economist.

10. Get the federal government out of the way.

Oregon's Warner believes well-intentioned federal bureaucrats are making the going unnecessarily rough for Jobs Plus simply by applying rules rigidly.

One example: To get necessary federal waivers so it could implement its Jobs Plus program, Oregon had to agree to set up a control group of welfare recipients in rural Malheur County who would be barred from participating. By doing that, the effectiveness of the Jobs Plus experiment could be measured against the results achieved by a control group outside the program. But this requirement prevented 200 welfare recipients from

Two Good Programs

Although about half the states have received federal permission to change their welfare programs, most of their efforts are oriented more toward reducing welfare rolls by denying benefits rather than moving people off public assistance and into jobs. Two states that are taking the welfare-to-work approach, however, are Wisconsin and Oregon.

In Wisconsin, Republican Gov. Tommy G. Thompson was elected nine years ago on a promise to reform the state's welfare system, and, by any measure, he has done precisely that. Wisconsin is one of the few states to reduce its welfare caseload, and it has done so by 25 percent since 1987.

PHOTO: [illegible] YOUNG—REUTER

Wisconsin's *Thompson pioneered state-level welfare reform.*

The cut was not easy to achieve, however, notes Lawrence Mead, a welfare researcher and visiting professor at Princeton University who has studied the Wisconsin program extensively. Wisconsin's efforts, he says, show that moving welfare recipients into jobs takes a lot of hard work—with increased spending in some areas.

Caseworkers have been added, for example, to monitor recipients' attendance at required work-related functions, and combined state and federal spending on training programs has soared to $57 million annually since 1986 from a little more than $1 million.

But it has paid off. Jean Rogers, administrator of Wisconsin's welfare programs, says the combined savings in state and federal funds spent on welfare in Wisconsin are now running at $16 million a month.

Wisconsin requires welfare recipients to enroll in training programs under the federal Job Opportunities and Basic Skills (JOBS) program, set up under the Family Support Act of 1988. But recipients can't just sit in classes and learn to fill out résumés. They must also look for work and accept any job they are offered.

The program, says Mead, appears to have worked. The JOBS participation rate of Wisconsin's welfare recipients is 54 percent, compared with a national rate of 11 percent. What's more, 19 percent of Wisconsin's recipients of federal-state cash welfare payments are working, compared with 1 percent for the U.S.

In January, Wisconsin took a further step toward moving welfare recipients into jobs. In Fond du Lac and Pierce counties, the state began requiring recipients to work for their benefits. If they miss a day of work, their welfare checks are reduced accordingly. And not even this arrangement goes on interminably. Under the counties' Work, Not Welfare program (see main story), aid to a recipient ends after 24 months.

After months of complicated negotiations with the Agriculture and the Health and Human Services departments, Oregon became one of the first states last year to start what it calls its Jobs Plus program with money that, under the previous rules, would have gone to recipients through Aid to Families with Dependent Children or food stamps. (See "The Paycheck Solution," August 1994.)

The federal money goes into a pool to subsidize jobs for welfare recipients for six to nine months at the state minimum wage of $4.75 an hour.

The temporary employees gain job experience and some training that can be useful if they're hired by that employer or for a job elsewhere.

Now expanding statewide from six test counties, Jobs Plus has put about 100 people to work, says Ted Abram, a public-relations representative of Oregon's Jeld-Wen Co., a maker of wood-framed windows, which has strongly backed the program.

Such other employers as the *Argus Observer*, a newspaper in rural Ontario, Ore., and a branch of Bank of America have hired Jobs Plus participants.

But the realities of moving people from welfare to work have been frustrating and, occasionally, vexing. Abram says that over the past seven months, 800 to 1,000 people could have gone to work but were prevented from doing so by "lots of strings" that came with the federal money.

If someone refuses to take a job under Jobs Plus, for example, only a small portion of federal Aid to Families with Dependent Children money—which goes to people below the federal poverty line—can be withheld. That reduction, says Abram, is not enough of an incentive to persuade people to return to work.

Still, Abram believes that as the program unfolds, the kinks will be worked out. Employer interest is high, he says. Some 700 employers, responding to a letter they received from Jeld-Wen encouraging them to participate in the program, said they would hire Jobs Plus workers. Says Abram: "I think Oregon has figured out, more than anyone else, how to put this thing together."

being included in the Jobs Plus program.

In principle, Warner does not object to the government's desire to know just how its tax dollars are used. But in practice, it has limited the program's potential.

Would a program that included all these incentives ensure that employers eagerly hire welfare recipients? No welfare-to-work program has encompassed all 10, and no attempt to move people from welfare to work has been resoundingly successful.

But combining the incentives could be well worth the effort. Of all the recipients of Aid to Families With Dependent Children, the principal federal welfare program, only 1 percent work for their benefits. Although 70 percent of AFDC recipients move off welfare rolls within two years, most return within six months.

Even if incentives can persuade employers to hire people off welfare, will there be enough jobs to go around? The Congressional Budget Office says no. In March, the CBO estimated that none of the 50 states would meet job-creation goals set out for them in the House-passed welfare legislation, which says that 50 percent of welfare recipients must be in jobs by 2003.

However, Brookings' economist Burtless is optimistic. During the past 35 years, the U.S. economy has generated millions of jobs, he says, and it will continue to do so.

The problem is that the wages for many of the new but low-skilled jobs—the kinds of jobs open to most welfare recipients—aren't equivalent to wages for the same type of work a generation ago. In many cases, under current welfare policy, Burtless says, it makes more sense to stay on welfare and collect benefits rather than to try to live on a low-wage job.

But don't tell that to Floranne Ball.

Mother of three and a welfare client for 11 years, she shifted from drawing about $800 a month in various welfare benefits to a full-time clerical job at the private Hindman sexual-abuse clinic in Ontario, Ore. "I'm doing great," she says. "I had my life given back to me." Between child support from a former spouse and her job, Ball says, she takes home about $1,100 a month.

What's clear is that the problems of caring for the truly needy and helping at least some of them—like Floranne Ball—to lead more self-sufficient lives are far more complicated and nettlesome than anyone had imagined.

Nonetheless, Midstates Aluminum's Jim Colwin is certain of one thing: "There are obstacles, but we're not going to overcome any of them if we don't try." NB

To order a reprint of this story, see Page 72. For a fax copy, see Page 46.

WORK FORCE

Nurturing Diversity

Here's how to prepare yourself to manage a rich mix of cultures among employees. And be successful, too.

By Sharon Nelton

ENTERPRISE 2000

Even if affirmative action is dismantled, diversity of the work force is here to stay. Business owners and managers, experts say, will still need to maintain or step up efforts to recruit and advance minorities and women in the year 2000 and beyond. That's because having a diverse work force and managing it effectively will simply be good business.

"This is the great wave of the future," says George Henderson, chairman of the Department of Human Relations at the University of Oklahoma, in Norman. You can resist it, he says, "but you'll still be going with the wave."

One business leader who is happy to go with it is Michele Luna, president of Atlas Headwear Inc., a Phoenix company that manufactures military and sports hats. For Luna, the future is already here. She estimates that 94 percent of her employees are Asian and Hispanic, and many are immigrants. At least 80 percent are women.

When Atlas looks at employment candidates, says Luna, it never wonders whether a woman can do a particular job or if a person with an accent is going to fit in. "We've always considered people on their ability to get the job done," she says.

The company's promote-from-within policy has produced a senior management team that includes women and minorities, and Luna says she has proof that the firm's diversity is good for business. Atlas expects revenue of $8 million this year, up from $7.1 million last year. In the first three months of 1995, the company added 49 employees, bringing its total to 230 workers.

It has been eight years since *Workforce 2000*, a report prepared by the Hudson Institute for the U.S. Department of Labor, stunned the business world with its announcement that white males would make up only 15 percent of the net additions to the labor force between 1985 and 2000. White males were already in the minority, representing only 45 percent of America's 115.4 million workers in 1985.

The biggest gains, said the institute, a policy-research organization in Indianapolis, would be made by native white women, while other increases would come from minorities and immigrants.

New figures bear out the Hudson Institute's finding that white males are becoming more of a minority in the work force. A report issued in March by the Federal Glass Ceiling Commission, a 21-member bipartisan body created by the Civil Rights Act of 1991, says that 57 percent of those in the work force today are women or minorities or both.

"Women and minority men will make up 62 percent of the work force by the year 2005," according to the report. However, it says, "the world at the top of the corporate hierarchy does not yet look anything like America." The study shows that 97 percent of the senior managers of the nation's largest corporations are white and at least 95 percent are male.

A newer survey suggests that smaller businesses have been more successful than larger ones in promoting minorities into upper management. The survey, released in April by the American Management Association, shows that in businesses with fewer than 500 employees, 19 percent of the senior managers are minorities, compared with 13 percent for businesses with 500 or more employees.

"Smaller firms are more likely to be minority-owned, and a single minority manager has a greater *statistical* impact when percentages are figured," the report explains.

Managing diversity goes "far beyond" meeting the legal requirements of equal employment opportunity and affirmative action, according to a joint survey of 785 human-resources managers conducted by the Society for Human Resource Managers and Commerce Clearing House. The 1993 SHRM/CCH report defines it as "the management of an organization's culture and systems to ensure that all people are given the opportunity to contribute to the business goals of the company."

This means including employees not only without regard to the obvious differences of race, sex, and age but also without regard to such "secondary dimensions" of diversity as marital or family status, sexual orientation, and disabilities, the report says. It also means including white males.

George Henderson, who has written a number of books on cultural diversity, puts it this way: "Diversity means optimizing the productivity of all the people that you have in your organization."

On the other hand, affirmative action,

This story is part of a continuing series on managing at the turn of the century.

Atlas Headwear's president, *Michele Luna, built a diverse management team that includes Freddy Torres, left, and Alfredo Luna, her husband.*

says author and teacher Susan D. Clayton, "is any attempt to increase the representation of people from groups that have been traditionally underrepresented, which would be typically minority groups and women." Clayton is an assistant professor of psychology at the College of Wooster, in Wooster, Ohio, and the co-author of a book on women and affirmative action.

As small companies approach the year 2000, there are some compelling reasons for expanding their diversity, according to business leaders and experts. Among their assessments:

Employers can increase the quality of their work force. "It would be a mistake for small businesses not to embrace diversity, because they will be missing out on some tremendous talent," says Charles I. Story, president of INROADS, Inc., a nonprofit organization in St. Louis that places minority youths in internship programs in business and industry.

For example, Richard G. Cortez thought he was doing Hispanic college students a favor when he began hiring them for part-time work in his Boise, Idaho, precision sheet-metal business, Metalcraft, Inc. Cortez, who is Hispanic himself and is committed to diversity in his 40-employee company, quickly found the students were eager to learn and very adaptable to computer systems. He realized, he says, "I've got something here that's worth gold!"

Customer bases are becoming even more diverse than the work force. The Glass Ceiling Commission notes that two out of every three people in the U.S. are females or minority-group members or both. Says the SHRM/CCH survey: "An organization with diverse employees can better meet the needs of diverse customers."

The companies she works with, says Ann M. Morrison, a Del Mar, Calif., diversity and leadership consultant, are looking at "the spending power of formerly niche-market groups like Latinos, like—in some cases—women, like blacks, and they're seeing that when you total up the so-called minority marketplace in the U.S., it's something like the GDP of Canada."

We're becoming a global marketplace. Other countries, George Henderson forecasts, will provide impetus to U.S. contractors and subcontractors to increase the diversity of their employees. "It's inconceivable to me, as an illustration, that companies large or small that deal with South Africa can ignore the ethnic composition of the work force," he says.

More and more businesses are owned by women and minorities. An estimated 7.7 million U.S. businesses are owned by women. New figures on minority-owned businesses won't be available until later this year, but there were 1.2 minority-owned businesses in 1987, up from 743,000 five years earlier.

The owners of these businesses may find it easier to sell to and more desirable to buy from businesses where women and minorities are included at management levels.

For all its benefits, diversity poses some problems and challenges. What's not often talked about, says Henderson, is the fact that different ethnic groups within a working environment can be very competitive with and antagonistic toward one another.

Communication takes extra effort. At Atlas Headwear, for example, bilingual employees help bridge the gap with employees who do not speak English.

PHOTO: [illegible]

A variety of Asians *and Hispanics makes up most of Atlas' work force. Mutual understanding is facilitated through weekly meetings of people new to the company.*

Backlash—that is, resistance to diversity, particularly by white males—is another problem. The SHRM/CCH report says that white male resentment may be a result of narrow definitions of diversity that have excluded white males as well as a perception by some of them that diversity means preferential treatment for some groups. Charles Story attributes much of the white-male anger to the fear of losing jobs as a result of the downsizing of American corporations and of the recession.

Most small businesses can't match the resources that larger companies can draw upon to help them meet the challenges of—and enjoy the benefits of—a more diversified work force. Nevertheless, experts say there's much that owners and managers of small businesses can do for little or no cost to nurture diversity now and to prepare for the increased diversity that's on the way. Here are some suggestions:

■ Educate yourself. Start with the Federal Glass Ceiling Commission's detailed report, *Good For Business: Making Full Use of the Nation's Human Capital*, available for $17 from the U.S. Superintendent of Documents, (202) 512-1800, or at regional Government Printing Office bookstores.

Other good sources of information and direction are *Cultural Diversity in the Workplace: Issues and Strategies*, by George Henderson, available for $19.95 plus $3.50 shipping from Greenwood Publishing Group, 1-800-225-5800; and *Justice, Gender and Affirmative Action*, by Susan D. Clayton and Faye J. Crosby, available for $13.95 plus $3.50 shipping from the University of Michigan Press, (313) 764-4392.

Charles Story notes that some local and state chambers of commerce offer diversity-education programs; if yours doesn't, you might want to urge it to do so.

■ Start thinking of diversity as a strategic business issue, advises the SHRM/CCH report. Review the business reasons for expanding diversity that are listed above, and begin exploring what they mean to your company.

■ See if changes might be needed in your corporate culture. Wooster College's Clayton suggests you examine your company's practices to see if you are unintentionally excluding members of certain groups. If so, she says, you can adopt changes to make hiring and advancement more inclusive. Like Atlas Headwear, for example, you can recruit through government agencies, community and church social-services groups, and refugee-resettlement programs.

PHOTO: EDWARD FITZGERALD

Doing business *in the global marketplace will give U.S. companies an incentive to become more diverse, says the University of Oklahoma's George Henderson.*

The debate over affirmative action may rage on, but Charles Story says he expects "calmer heads will prevail," reaffirming its positive aspects and eliminating the negative ones. Business people need to strip this argument of its divisiveness, he says, and "steer it toward what is the best way to embrace people who want to work."

In any case, Susan Clayton says, it will be easy to tell when affirmative action is no longer necessary: "When you look around the work force and see that members of all groups are being employed and that they are being employed at the high levels as well as at the lower levels, then we won't need it anymore."

Maybe we're getting there. The American Management Association study showed there have been increases in the share of management jobs held by minorities since AMA first studied the topic in 1992. And corporate recruitment of minority college seniors represented 24 percent of total campus hires last year, an all-time high, according to a study by the Hanigan Consulting Group, of New York City.

The increasing presence of women and minorities on boards can alter the way companies look, too. Frederick A. Miller is the only African American on the board of Ben & Jerry's Homemade Inc., in Waterbury, Vt. Asked if he influenced the ice cream company's recent selection of Robert Holland Jr., a black, as its president and CEO, Miller, an Albany-based management consultant, replies that Ben & Jerry's was committed to considering women and candidates of color as well as white men. Having a person of color on the board, he says, "let the search firm know that the organization was not joking about this."

Some critics—and some business owners, too—think diversity is just a fad. "Some people looked at computers that way, too," Ann Morrison says. "Remember that? 'Computerization? It'll all go away one of these days.'" NB

To order a reprint of this story, see Page 72. For a fax copy, see Page 46.

The Manager Of The Future

What will the business owner or manager who is successful at leading a diverse work force look like in the year 2000 and beyond? *Nation's Business* put that question to diversity experts and to business people who are already managing diverse employee pools.

The successful managers of tomorrow, they said, will:

Be multilingual. Even if they are not fluent in other languages, they will understand enough of another language or two to feel comfortable around people who do not speak English.

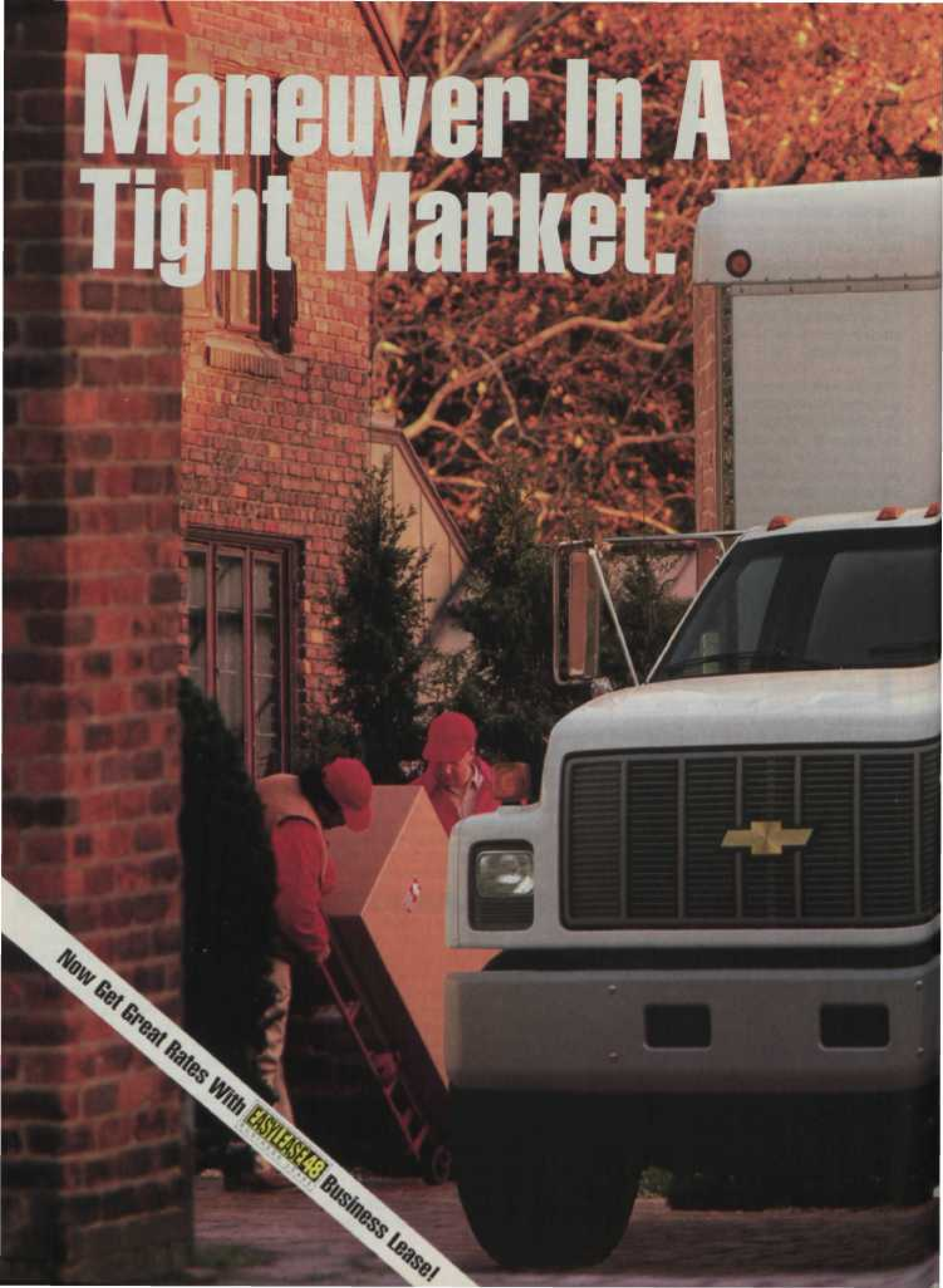
Be well-traveled. "They will have interacted with world cultures by going to other countries," says George Henderson, chairman of the Department of Human Relations at the University of Oklahoma, in Norman.

Be well-read. "They will have read not only the great literatures of the dominant culture but also will be conversant with and familiar with the great literatures of a wide range of ethnic minority cultures," says Henderson.

Feel comfortable crossing cultural lines. They will establish relationships and friendships with individuals outside their own culture that go beyond business relationships.

Be open-minded. That means "being willing to break from the past, being willing to do things that have never been done before, and to see people like you've never seen them before," says Ann M. Morrison, president of the New Leaders Institute, a consulting and research firm in Del Mar, Calif.

Demonstrate commitment and fairness to employees. They must be able to see that opportunities for advancement are open to all employees and that standards and expectations will be applied equally to all.


Maneuver In A
Tight Market.
Now Get Great Rates With EASYLEASE48 Business Lease!

INSURANCE SPECIAL REPORT

Think Like A Risk Manager

By John S. DeMott

For his roofing company in Naples, Fla., where hurricanes can sweep ashore from the Gulf of Mexico, Larry Joiner has cut back on vehicle-damage insurance and raised damage deductibles on his building. Acting on his own instincts, he rearranged his coverage to use premium dollars more effectively.

"You've got to be alert," says Joiner, who owns West Coast Roofing and Waterproofing Co., "and you've got to care about these insurance details yourself."

In West Haven, Conn., Laura Reid, owner of the Fish Mart Inc., which wholesales about $5 million worth of animals and tropical fish a year, attacked her insurance costs a different way: She raised the deductibles on her fleet of a dozen delivery trucks, which reduced her auto premium. She also started safety classes for her drivers, which helped shrink her weekly workers' compensation insurance premium to $500 from $1,200.

"I learned long ago," she says, "that you've really got to think carefully about what your doctor does, what your lawyer does, even what your insurance agent does."

In keeping with that spirit, Joiner and Reid are taking an uncommon approach to keeping insurance costs down: They are thinking like and, in some instances, becoming their own risk managers.

Instead of waiting for insurance agents to make suggestions, they are going to agents with ideas of their own. Instead of reacting to insurance-renewal bills that arrive in the mail, they are looking at their types and levels of coverage with an eye to changes long before their policies' expiration dates. Instead of quietly absorbing rate increases, they are looking for ways to cut their insurance costs.

Their strategy appears to be a particularly good one now, as the battered U.S. property and casualty insurance industry consolidates, stops writing policies for high-risk small businesses, raises premiums in selected regions and for certain types of coverage, and reduces its work force.

Storm coverage in Florida and earthquake coverage in California—at least enough of it to protect businesses completely against catastrophic losses—can be almost impossible to obtain for small firms. Typically, only large corporations can absorb the high premiums for such coverage.

Throughout the U.S., companies that remove asbestos, store blood, or handle environmental waste are hard-pressed to find insurance, as are dozens of other types of businesses deemed by carriers to be high-risk enterprises.

In such a climate, very small businesses may not receive the attention from some insurers to which they've grown accustomed. Says Jim Meerpohl, who is Joiner's agent and is a sales executive with the Naples branch of Sedgwick James, a giant British insurer: "We're pretty much discouraged from handling [an annual premium] of anything less than $5,000." Adds Dennis Slabaugh, a risk manager for a community health-care organization in Naples: "The small, $1,000 account just isn't worth the agent's time. He's going to go after the large accounts."

Other insurers disagree and are pursuing the small-business market. (See "Carriers Rediscover Small Business," November 1993.) Among them: Baltimore's USF&G and State Farm Insurance Cos. of Bloomington, Ill. State Farm goes so far as to send a "field underwriter" to small-business prospects to assess their insurability.

Indeed, the insurance needs of small business are just some of the many demands that are competing for the attention of the U.S. property and casualty insurance industry. Carriers have been pummeled by huge, unanticipated losses from a half-dozen years of natural disasters, ranging from hurricanes Hugo and Andrew to two California earthquakes; in the winter of 1993-94 alone there were 16 ice storms. And the toll from April's Oklahoma City bombing is only beginning to be calculated.

While hurricanes and ice storms will happen, each of these disasters has been uncommonly and unexpectedly costly. Early damage estimates for California's Northridge earthquake in January 1994 were $1.5 billion; a year later, the actual total had risen to more than $11 billion.

The hammering showed up on the industry's bottom line; property-casualty insurers' profits plunged 48 percent in 1994, reflecting overall 1994 losses from catastrophes of $15.7 billion, second only to 1992's $23 billion.

Insured loss claims paid out by the companies helped drive the industry's loss ratio up to 108.2. That meant that for every dollar in premiums the industry collected, it paid out $1.08 in claims. As a result, although premiums have not risen dramatically, certain types of coverage are no longer sold in some areas of the country.

Some of the pressures are man-made. A few carriers face huge potential liabilities from environmental lawsuits related to the Superfund law, the federal toxic-waste cleanup statute. Reform of the law is an issue pending before Congress.

In industry jargon, some companies are "under-reserved." Instead of reserving money for paying claims for large losses, they are pooling their resources to increase

Here's some advice to help you make your property and casualty premium dollars work more efficiently.

Lowering the ceiling: *Larry Joiner cut his insurance premiums by reducing property coverage at his roofing company in Naples, Fla.*

their capacity to write still more business. This has created a market so destructively competitive that profits are elusive.

Says Jack Snyder, senior vice president for the property and casualty division of A.M. Best Co. of Oldwick, N.J.: "The industry's prognosis for 1995 is not encouraging. It may take only one more run-of-the mill catastrophe to crush the industry's fragile fundamentals."

Against that worrisome backdrop, small businesses are learning that if they want to spend their insurance premium dollars effectively, it's not such a bad idea to do as Larry Joiner and Laura Reid are doing, namely to take a closer look personally at their real insurance needs to determine how they can best be met.

At many small businesses, there's little choice. Unlike giant corporations that can have full-time risk managers reporting to the chief financial officer, smaller companies generally can't afford such expertise.

Thus, small-company owners must do it themselves—they must, as one risk manager puts it, "take care of that insurance stuff."

So what's involved in taking care of "that insurance stuff," in being your own risk manager? Experts say you should ask these questions:

What do I have? This includes buildings, machinery, data stored in computers, cash on hand, vehicles. Make a list of all physical and economic assets—everything.

What can go wrong? "Exposures," in insurance-industry jargon, include threats from fire, theft, windstorms, and hail—all of which can be covered by private-sector insurance companies.

Flood insurance, however, is different. It is sold not by private carriers but by the federal government through independent insurance agents as part of a revamped program begun in March under the National Flood Insurance Reform Act of 1994.

Never a big seller because of numerous deficiencies—such as high cost and narrow coverage—which became more apparent in the aftermath of massive floods in the Midwest and Southeast in 1993 and 1994, flood insurance could become more attractive under the new flood law.

The law raises coverage limits to realistic levels—up to $500,000 for nonresidential buildings—and blocks premiums from rising more than 10 percent a year. It also stops such abuses as buying coverage during a flood; policies now must be held for several months before becoming effective.

Other insurance needs depend on the nature of your business. If you work alone at home, you'll need only minimal business insurance. (See "Protecting A Home Business," February 1995.) But if you deal with customers or clients or you have disgruntled employees who might steal from you, you'll need enhanced coverage.

What's the minimum I need to stay in business? Insure for at least the cost of equipment and building space you would need to go back in business the day after catastrophe strikes, says Elaine Ciccarello, vice president and risk manager of Mariner Group Properties. She oversees insurance purchases covering about $400 million in resort real estate on barrier islands off the Florida coast.

Ruth Gastel, director of issues analysis of the Insurance Information Institute, in New York City, says that for most small firms, it's not the fire, for example, that puts them out of business; it's the fact that they "haven't thought about where they're going to be after a fire."

What's the best way to protect what I need to protect? Insurance is one way. Another is prevention—what insurance professionals call "loss control." In its simplest form, Ciccarello says, loss control means "fixing the loose step because you know that sooner or later someone's going to trip over it."

More-complex efforts can call for safety training classes for employees, such as those held by Laura Reid for her drivers.

Says Bob Nessier, a State Farm senior loss-control representative: "Small-business owners have to wear a lot of hats, so we can provide some helpful expertise."

The pinnacle of thinking like a risk manager, say experts, is buying insurance "strategically." This means sensing what

Scaling back: *Laura Reid, a tropical-fish wholesaler in Connecticut, cut her insurance costs by raising deductibles on vehicle coverage.*

areas of your business need more insurance, what areas need less, and what parts of your business can go without insurance altogether. Insurance premium dollars are put where they'll do the most good, delivering the most protection when you need it most.

Many companies discovered the value of business-interruption coverage, for example, when the Alfred P. Murrah Federal Building in Oklahoma City was bombed. Small firms in a 50-block area sustained about $500 million worth of damage from the explosion. A survey of downtown businesses by the Oklahoma City Chamber of Commerce found 414 had been damaged, including 86 that had to halt operations temporarily.

Hogan Information Services, an Oklahoma City firm that collects information nationwide for credit-reporting companies and creditors, was closed for three days after the blast shut down its business, but it had restored data and was back on line with customers three days later. That's because Hogan had purchased business-interruption coverage; Kemper Insurance will pay for Hogan's relocation to another building six blocks away. Says Shawn Hogan, a part-owner: "We're glad we've got it. We never thought we'd need it for this sort of thing, especially here in Oklahoma."

Similarly, when terrorists bombed the World Trade Center two years ago, some companies were back in business within hours, sometimes at substitute locations, with all computers up and whirring, all data in place, and temporary telephone lines functioning—a triumph, say insurance professionals, of risk management at its best.

While many of those were large banks and brokerages, smaller businesses can gain from the same thinking. For example, it might be wise, says Gastel, to absorb losses from damage to your company's vehicles, steering those insurance premium dollars toward, say, increasing vehicle liability protection in the event of a catastrophic judgment against you in a lawsuit.

And instead of buying insurance with expensive low deductibles against employee theft of cash and other valuables, or against computer breakdown, it might be better, says Gastel, to pay for those losses out of pocket when they occur.

Such reassessment of coverage, says Gastel, goes to the heart of risk management—not just protecting a building or a machine, "but preserving the business." NB

To order a reprint of this story, see Page 72. For a fax copy, see Page 46.

How To Become Your Own Insurer

For certain kinds of small businesses, the ultimate in risk management is self-insurance, where no standard carrier is involved. Instead, these companies form groups and pool their resources to pay claims.

One form of this pooling is the risk-retention group. It has many of the powers of any insurance company, but one of the most important is access to reinsurance policies for its members. This form of coverage for insurers spreads risk and allows more protection to be bought at favorable rates.

Under such groups, all manner of liability risks are covered—from urban taxicab drivers to ski resorts to plastics manufacturers and pest-control companies.

Joel Linder, owner of Plexmar Resins in Houston, joined a plastics-industry risk-retention group in March and saw his monthly insurance premiums drop to $2,000 from $4,000. "It's been a real lifesaver for us," he says. Plexmar's worldwide sales of materials come to $6 million a year.

Begun defensively in the mid-1980s when traditional insurers' casualty rates were soaring at double-digit rates, risk-retention groups have their legal basis in the federal Liability and Risk Retention Act of 1986. This law allowed formation of licensed insurance companies under far simpler rules than ordinary insurance companies and was intended to encourage the formation of risk-retention groups.

But by the time the law was passed, the insurance crisis had largely passed and rates had begun a downward trend that continues today. Result: The growth of risk-retention groups over the years has been slow and steady.

There now are 74 risk-retention groups, most legally domiciled in Vermont because of that state's favorable laws toward them.

Related to risk-retention groups and growing even faster in popularity are risk-purchasing groups. Now numbering 467, according to Karen Cutts, editor of *The Risk Retention Reporter* newsletter in Pasadena, Calif., they amount to insurance-buying co-ops for businesses.

Instead of self-insuring, as do most risk-retention groups, members of risk-purchasing groups unite to buy insurance from established carriers and sometimes even from risk-retention groups.

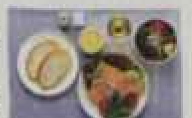
Carriers like purchasing groups because they provide an efficient vehicle for selling property and casualty coverage to many smaller companies. Small businesses like them because they allow such firms to use group leverage to strike deals for good rates.

For information on both risk-retention and risk-purchasing groups, call the National Risk Retention Association at 1-800-999-4505, and ask for Judie Harrington.

With any other airline, this would never fly.

The Aboriginal artwork on our newest plane is uniquely Australian. But then, so is Qantas.

For 75 years Qantas has been bringing the best of Australia to the world. From the warmth and friendliness of our crews to the contemporary designs of our new cabin interiors.



Other amenities that reflect our famous hospitality include healthy world-class meals, an exceptional wine list, in-flight entertainment on personal, in-seat video screens in First and Business Class, and to add to your comfort, the latest ergonomically designed seats.

When you fly Qantas you can also earn mileage on your choice of Alaska Airlines, American Airlines*, British Airways, Canadian Airlines, Continental Airlines, USAir or our own frequent flyer program.*

Inside and out, no other airline defines the Australian culture quite like Qantas. Call your travel agent or Qantas at 1-800-227-4500.

*Frequent Flyer credit varies by route and by program. Check your mileage program for details.

QANTAS
THE AUSTRALIAN AIRLINE

LEGISLATION

Trimming The Trillions

Republicans get down to specifics in cutting spending, ending deficits, and achieving a balanced budget.

By Robert T. Gray

PHOTO: T. MICHAEL KEZA

Sen. Pete V. Domenici *seeks to avoid the "nightmare" of higher taxes and no deficit control.*

PHOTO: LAURENCE L. LEVIN

Rep. John R. Kasich *wants to limit spending increases to estimated growth in revenue.*

If you equate a balanced budget with a 55-mph speed limit and each $1 billion of deficit spending with an extra mile, the nation is, fiscally speaking, going 258 miles an hour.

That analogy, offered by Rep. Nathan Deal, R-Ga., is just one of the many attempts being made on Capitol Hill to simplify federal finances as a new phase of the balanced-budget debate begins.

Several members participating in the debate over a $1.5 trillion annual budget and a cumulative national debt of nearly $5 trillion try to individualize the debt by noting that each American's share of the red ink has gone from $2,500 to $18,500 over the past 20 years.

Others point out the increasing pace of debt accumulation: It took the country 186 years to reach $500 billion in red ink, but the debt has increased nearly 10-fold in the ensuing 13 years.

Still others attack the idea of tax increases as an antidote to deficit spending: Taxes rose nearly $700 billion over the past dozen years, but the deficit still went up $3.8 trillion over the same period.

Those and similar perspectives on the condition of federal finances will be heard with increasing frequency over the next several months as Congress considers proposals for a balanced budget by 2002.

Both the Senate and the House budget committees have developed plans for reaching that goal by relating spending to revenue. That would mean keeping spending $1 trillion below levels now forecast under current laws over the seven years.

Virtually every area of government, with the exception of Social Security, would be affected. GOP leaders have exempted the retirement plan from their budget reductions.

The challenge of bringing spending into line with revenues is particularly stiff in the House, which has approved a five-year, $190 billion package of tax cuts.

The fiscal-policy debate, which will be long and divisive, will contrast the GOP plans with President Clinton's proposed 1996 budget calling for $1.6 trillion in spending and a $200 billion deficit.

The budget committees' recommendations are historically as well as fiscally significant: For the first time since the 1974 budget-reform act creating them, both panels are being led by hard-line fiscal conservatives—Sen. Pete V. Domenici, R-N.M., and Rep. John R. Kasich, R-Ohio.

The resolutions produced by these panels set broad spending and revenue goals that require other committees to cooperate by cutting spending in areas under their jurisdictions.

In setting up that arrangement, Congress took yet another in the long series of legislative actions, dating to 1921, through which it has tried to impose discipline on federal spending. (See the box on Page 34.)

Although Domenici and Kasich are both heading toward budget balance, there are some differences in their respective approaches, including the House tax plan, and there will have to be some give-and-take before final action by the full Congress.

Republicans in Congress had hoped to begin their budget work while a proposed constitutional amendment mandating such balance from 2002 onward was being considered by the states. That proposal, however, fell one vote short of approval in the Senate this spring.

The current budget procedures were designed to impose discipline on budgeting by forcing Congress to weigh proposed total spending against total potential income—a fundamental concept previously absent from federal fiscal planning. The procedures do not require that spending and revenue match, however.

When the budget-reform act was adopted 21 years ago, spending was $269 billion, income was $263 billion, and the deficit was $6 billion. By contrast, the Clinton budget for fiscal 1996, which begins Oct. 1, proposes $1.6 trillion in

spending against $1.4 trillion in revenues, and a deficit close to $200 billion.

In 2000, the last of the five years covered by that budget, spending is projected at $1.9 trillion, receipts at $1.7 trillion, and the deficit still about $200 billion. Those estimates, not surprising, have been rejected by the budget panels as they fashion their own plans.

Domenici says of the Clinton budget: "There is no deficit reduction of any significance." He says the Clinton plan would add $2 trillion to the national debt over the next five years, increasing each American's share of that debt to $26,000.

Recalling that Clinton's 1993-94 budget was described as a major deficit-reduction plan based on tax increases and spending cuts, Domenici said that the "nightmare" that he expected—higher taxes without deficit control—is coming to pass.

In the House, the budget resolution developed under Kasich would, by 2002, limit spending increases to estimated growth in revenue. Total revenues, now $1.4 trillion, are expected to reach $1.78 trillion by 2002, and spending would equal the latter amount.

Although such balance might sound like standard fiscal policy, it would be a departure for the federal government. Since 1950, there have been five budget surpluses totaling $16.9 billion and 40 budget deficits totaling $4.5 trillion. The last surplus was in 1969.

A preliminary House plan forecast total spending for the seven fiscal years 1996-2002 at $11.7 trillion, compared with $9.5 billion over the previous seven years. The key change is capping outlays at income levels. Under longstanding federal budget policy, spending is set by the assumed growth of programs. If the total cost of that growth exceeds the increase in revenues, the gap is covered by federal borrowing, which reached a record $290 billion in fiscal 1992.

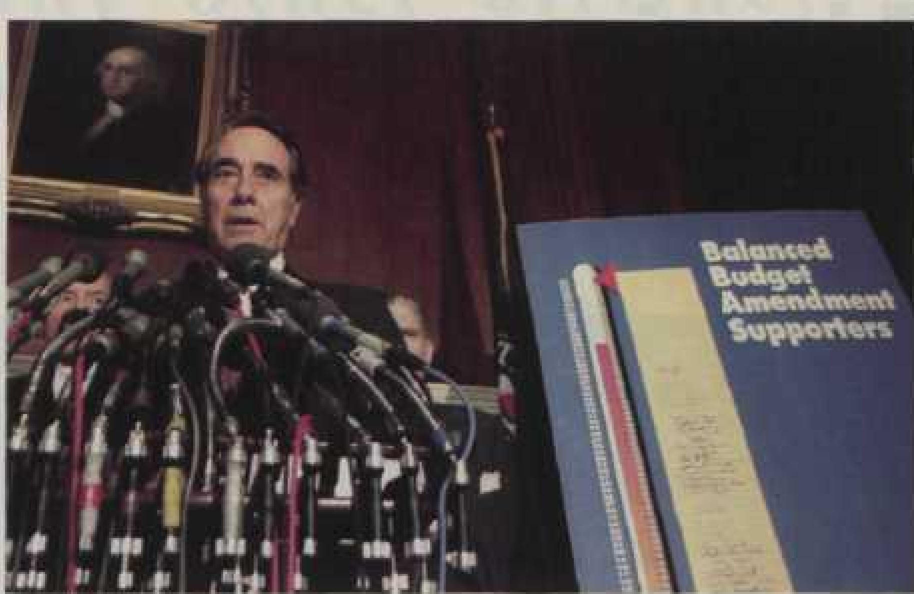


PHOTO: WIN McNAMEE—REUTER

Senate Majority Leader Bob Dole *plans another vote on the proposed balanced-budget amendment to the Constitution, which fell a vote short in March.*

The balanced-budget amendment remains the principal GOP initiative on curbing spending.

The movement for constitutional change, rather than a law subject to revision and repeal by a majority vote in Congress, stemmed from the failure of the various mandates setting legislative targets and timetables, most notably the 1985 Gramm-Rudman-Hollings measure calling for a balanced budget by 1990.

(The term "majority" can be overstated. Half of the members of each house can comprise a quorum to do business in their respective chambers, and a majority of a quorum—or 26 senators and 110 representatives—can pass measures that include the modification or repeal of legislatively set budget restraints. It would take the votes of a two-thirds majority of each house, however—67 senators and 290 representatives—as well as the consent of 38 state legislatures to

A History Of Unfinished Business

The debate over amending the U.S. Constitution to require a balanced federal budget, which will be resumed in this Congress, often centers on the question of whether such a drastic step is necessary.

President Clinton, who opposes the amendment, pledged in the 1992 campaign to cut the deficit in half in four years, but such a reduction is nowhere in sight.

Supporters of an amendment point out, however, that none of the many congressional attempts to impose a balanced-budget requirement via legislation have succeeded. Adopted by majority vote, those attempts could be—and were—undone by majority vote.

Sen. Robert C. Smith, R-N.H., offered this bit of history during Senate debate on the amendment last January:

1921—A law was passed to require the president to recommend corrective action to Congress when the federal budget fell into deficit.

1964—The Revenue Act expressed the sense of Congress that the federal budget should be balanced.

1978—The Revenue Act called for a balanced budget beginning with the 1982 fiscal year.

1978—Congress approved the Byrd amendment, sponsored by Sen. Harry F. Byrd Jr., D-Va., requiring a balanced budget by 1981.

1978—The Full Employment and Balanced Growth Act included a provision requiring a balanced budget.

1979—Legislation authorizing an increase in the federal debt required the president and the congressional budget committees to produce plans for achieving a balanced budget.

1980—Congress reaffirmed its commitment to a balanced budget by 1981 under the Byrd amendment.

1985—Congress passed the Gramm-Rudman-Hollings Act, which required a balanced budget within five years. (Sponsors were Sens. Phil Gramm, R-Texas; Warren Rudman, R-N.H.; and Ernest F. Hollings, D-S.C.)

1987—The Gramm-Rudman-Hollings target was deferred to 1993.

1990—The Budget Enforcement Act called for an $83 billion reduction in the deficit by 1999.

Smith added: "Here we are. We started in 1921. We have all these wonderful acts we have passed requiring all these balanced budgets, and we are almost $5 trillion in debt."

approve a constitutional amendment mandating a balanced federal budget.)

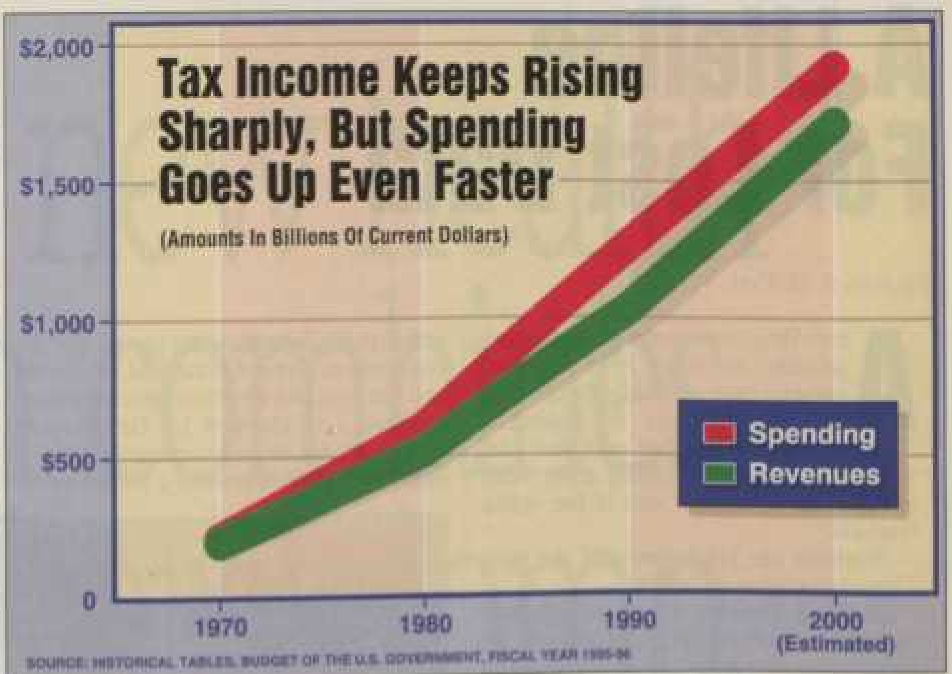
While opponents of a balanced-budget amendment—most of them Democrats—argue that budget balance is simply a matter of congressional will, advocates say the long cycle of imposing and abandoning fiscal restraint demonstrates the need for an irrevocable mandate.

After passing the House 300-132, the balanced-budget amendment fell in the Senate, 66-34. Senate Majority Leader Bob Dole, R-Kan., plans another vote when, he says, he has won over that last vote needed to send the proposal to the states for ratification or when he feels it will cause maximum political damage to the 33 Democrats who voted against it. (The 34th negative vote came from Republican Sen. Mark O. Hatfield of Oregon.)

With polls showing that a substantial majority of Americans support a balanced-budget amendment, Dole has suggested that another vote testing the Democratic position might come just before the 1996 election if a 67th vote for it has not been found sooner.

Much of the immediate and long-term action on the budget—as well as pressure for the amendment—is being driven by the recognition, which has become bipartisan, that fiscal trends of the recent past cannot be sustained without severe damage to the economy.

Without a course correction, those trends will lead to "inescapable and staggering" results, says Rep. Henry J. Hyde, R-Ill., chairman of the House Judiciary Committee and chief House strategist on the balanced-budget amendment. He points to unending deficits that will eventually require debt-service payments equal to 40 percent of all federal spending.



SOURCE: HISTORICAL TABLES, BUDGET OF THE U.S. GOVERNMENT, FISCAL YEAR 1995-96

CHARTS: MICHAEL ROOK

When that happens, he asks, "where will we find the money for essential government services and programs? ... How will the private sector finance business start-ups—job creation—with debt service eating up almost half of the private investment funds generated each year?"

The 1994 election victory that gave control of Congress to Republicans running on anti-tax, anti-spending platforms has had major impacts on the fiscal debates and budget politics. It has eliminated any prospect of tax increases as a deficit-reduction device and has made spending restraint a highly desirable policy for members of Congress contemplating re-election bids.

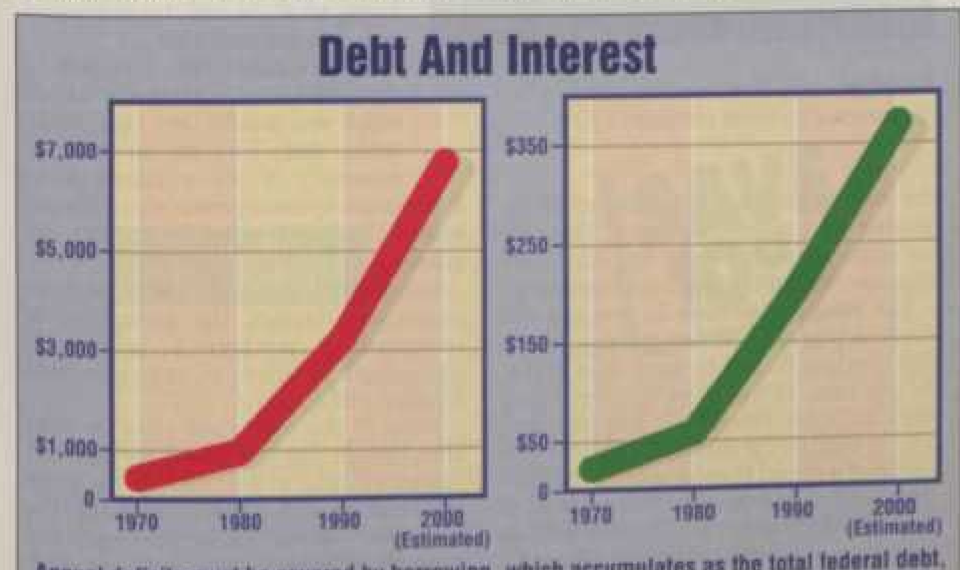
An indication of the changed environment is the extent to which some Democrats long opposed to the line-item veto now support it. By large margins in both houses, Congress has approved this form of veto, which lets the president reject individual items, such as pork-barrel projects, in big spending bills he previously had to sign or veto in their entirety.

To be sure, there is concern about the budget problem on both sides of the aisle. Sen. Bill Bradley, D-N.J., a fiscal-policy authority for his party, says the first call on federal tax collections "is not defending the nation or feeding children or providing for education or building highways or sending money to Social Security recipients. The first place that money has to be spent is to pay those bondholders who have loaned us money."

Such comments are being made with greater frequency and intensity amid growing awareness of the consequences of unchecked deficit spending on both domestic programs and the nation's need to remain competitive in world trade. U.S. failure to cope with red-ink finances is cited as an important factor in the recent sharp decline of the dollar in world markets.

Many advocates of a balanced budget say that the problem is brought into its sharpest focus through a calculation offered by the Concord Coalition, a private, bipartisan group committed to eliminating the deficit.

This groups notes that "the national debt of the United States increases $9,600 each second, $576,000 each minute, $34,560,000 each hour, and $829,440,000 each day." NB



Annual deficits must be covered by borrowing, which accumulates as the total federal debt, shown at left, in billions of current dollars. As federal debt increases, so does the amount of revenue diverted each year for interest payments, shown at right, in billions.

SOURCE: HISTORICAL TABLES, BUDGET OF THE U.S. GOVERNMENT, FISCAL YEAR 1995-96

TECHNOLOGY

A Lifeline For Lost Data

Rescue services can recover valuable information from computer drives damaged by fire or flood.

By John S. DeMott

Amy Hite was worried. *Panicked*, actually. An early April fire had ravaged her small food-exporting company's offices in Sausalito, Calif., literally melting her computer and, to all appearances, destroying seven years of data—the heart and soul of her entire business.

"Business was just taking off," she says. "You can imagine my shock."

All those invoices. All those customer contacts in the Far East and elsewhere. All those price lists. Up in smoke. She had backed up her data, but the backup tape couldn't be found. It wasn't in the desk drawer where she thought it was.

But, as they are supposed to do, firefighters on the scene came to the tearful Hite's rescue. One of them told her of a company in nearby Novato that restores data from computers burned beyond recognition—like Hite's.

Hite placed a call to the company, DriveSavers Inc., one of a half-dozen data-recovery companies in the United States. (Their names generally appear in the classified ads in major personal-computing magazines.)

The DriveSavers data-rescue team went to work on Hite's computer, resurrecting millions of bytes from the dead. They transferred the data to a new drive for a new computer Hite hurriedly bought to replace the burned one.

By the third day after the fire, Hite's INI International Co. was up and running in new quarters in the neighboring Marin County town of Mill Valley, this time with fire insurance—which she hadn't had—and $15,000 worth of replacement office equipment, fully paid for from a very good sales month in March. Among the gadgets: a data-backup system that she now keeps in a fireproof safe.

To Scott Gaidano, co-owner of DriveSavers, Hite's story was one of thousands he has heard, and reacted to, since starting his company in 1985 with his partner, Jay Hagan. Gaidano says his team can recover data 90 percent of the time, in 24 to 48 hours, and get it back to customers worldwide using sophisticated data-recovery systems and overnight package delivery.

When computer data have been lost, the only hope is recovery. Although property and casualty insurance can pay part of the replacement costs of destroyed equipment and can even pay for data-restoration costs such as fees charged by DriveSavers, policies are not written to cover the value of data itself. In data recovery, persistence is the rule: When one technician gives up, another can step forward to try. "There are no classes you can take for this," says Gaidano. "It really comes from experience."

Destroyed *computer data can usually be resurrected by Scott Gaidano's firm.*

The company services an average of a dozen drives daily, at fees ranging from a few hundred dollars to more than $1,000. In one case, DriveSavers recovered data from an Apple PowerBook that had sunk with a boat in the Amazon. In another, it restored a famed photographer's digitized photo files—which had been lost in transferring them to a CD-ROM disc—in time for a multimedia show in Chicago.

Data that has been compressed by commercial software is more difficult to retrieve, says Gaidano. In the infrequent cases where a drive's magnetic or optical platter—the part of the drive that physically holds the information—has been burned or cracked, total data recovery is next to impossible, although portions on the unharmed sections of the platter can be restored.

Both Gaidano and Hagan had worked for a now-defunct drive manufacturer, a company that also made a backup system "that nobody bought," says Gaidano. "But the number of calls from customers who lost their data, and didn't know what to do, was high."

So when their employer went under, Gaidano had a pretty good idea of what to do next: He and Hagan started DriveSavers. "We kept at it, and our philosophy was to treat the customer the way we'd want to be treated in such a situation," he says.

While he won't disclose sales, Gaidano does say he has 10 employees, most with a good sense of the emotional condition their customers are likely to be in when they make that first contact. Both Hagan and another early employee, Nikki Stange, for example, had helped on suicide hot lines, and they knew what to say to distressed people in times of crisis.

Says Gaidano: "We were able to deal with the customer's angst, which was usually very high. Many times, their jobs are on the line, especially if it's a management information-systems person who managed to lose the bookkeeping for the last five years."

DriveSavers frequently talks nervous customers through the procedure of removing a computer's drive and packaging it for shipment, or recommends a dealer who can do it.

None of this concerned exporter Amy Hite, though. She just tossed her scorched computer into a box and drove it to DriveSavers. The company kept the computer as an advertisement and souvenir of competence—and took $200 off Hite's $1,100 recovery fee. Says Gaidano: "The best recovery is one that looks [on your screen] like nothing at all had happened." ■

REGULATION

EEOC Turns To Mediation

A new program will enable employers and employees to expedite settlement of some complaints about job discrimination.

By Laura M. Litvan

Soon after firing an employee who had tested positive on a drug test in late 1993, the management of a small hospital received a letter from the U.S. Equal Employment Opportunity Commission. The document informed managers that the discharged worker, who is black, had alleged that his firing actually stemmed from race-based discrimination.

Typically, a discrimination allegation filed with the EEOC sparks an investigation by the agency, which enforces federal laws banning employment bias based on factors such as race, sex, and age. And because the number of charges has soared the past few years, the average case now takes the agency more than 10 months to resolve. Cases that are litigated generally take even longer.

But in this instance the hospital was offered a faster route to a settlement: EEOC officials offered the services of an impartial mediator to help the hospital and the discharged worker expedite a resolution.

CHART: GEORGIA LEIGH MCDONALD

The hospital accepted the offer, one of about 300 companies to do so during the EEOC's experimental use of mediation during 1993-94. And the case was closed quickly, according to agency records, which do not identify either the hospital or the worker. The former employee dropped his civil-rights complaint; the hospital let him use its substance-abuse program and paid him for four accrued vacation days—payment it had denied him upon his discharge.

While there's no guarantee that informal resolutions will abound, the option of trying mediation will soon be more available. In a groundbreaking move, the EEOC's five commissioners voted unanimously in late April to roll out a nationwide mediation program in 1996.

Mediation will not be an option for everyone, however. The agency plans to identify cases where mediation seems appropriate and where it might help both sides quickly resolve a charge. The agency plans to select randomly one out of every 20 or 30 such charges for mediation. Mediation will not be used in cases where it is believed a company has shown a pattern of discrimination against workers or job applicants, commissioners say, and it also won't be used in cases where a charging party's complaint is found to be clearly without merit.

So far, both employers' groups and civil-rights advocates generally support this limited use of mediation.

"In a lot of cases, people just want to get it over with," says Douglas McDowell, general counsel of the Equal Employment Advisory Council, an employers' group that tracks the EEOC's activities. McDowell, based in Washington, D.C., says the EEOC's long investigative process poses problems for employers, partly because it becomes increasingly difficult over time to locate witnesses or records that can be used to defend against a charge.

Many people who believe they are victims of unlawful discrimination feel disillusioned with the EEOC's slow-moving process, says Cathy Ventrell-Monsees, manager of worker equity at the American Association of Retired Persons, also based in Washington. "The problem is that many people don't even hear from an investigator," says Ventrell-Monsees, who has advised some older workers who have alleged age discrimination.

Adoption of a mediation program is part of a larger effort by the commission to deploy its limited resources more effectively as it grapples with a massive and growing caseload. In 1994 alone, the EEOC received a record 91,189 new discrimination charges, and its backlog of unresolved complaints, which are carried forward from one year to the next, reached a record 96,945.

"I think everyone realizes that we are coming to a crisis situation," says R. Gaull Silberman, a commissioner for the past 11 years.

The chairman of the EEOC, Gilbert F. Casellas, says mediation is a first step toward improving the processing of job-bias charges. "While [mediation] is not a panacea for all of the EEOC's operational challenges, I am sure that it will play a significant role in the reinvention of this agency," he says.

Underlying the backlog is congressional expansion of civil-rights protections during the early 1990s in the absence of a corresponding expansion of EEOC staff resources, agency records indicate. For example, the Americans with Disabilities Act of 1990, which extends job-bias protections to the disabled, was the basis of more than 20 percent of all charges filed last year, EEOC records show. Meanwhile, although the agency's overall budget has increased from about \$185 million in 1990 to about \$233 million for this year, the number of EEOC employees has remained at about 2,860.

Agency officials say other developments contributing to recent increases in the charges being filed are passage of the Civil

Rights Act of 1991, which allows limited monetary damages for victims of intentional discrimination, and publicity about the issue of sexual harassment that stemmed from the 1991 Senate confirmation hearings of Supreme Court Justice Clarence Thomas.

The move toward use of mediation was encouraged by Congress in 1991 when it passed the Civil Rights Act. The statute explicitly encourages the use of mediation and other types of alternative dispute resolution when appropriate to resolving charges of employer discrimination.

Many details of the new mediation program will be worked out in district offices over the next year or so, including whether to use staff or outside attorneys as mediators. However, some matters already have been decided.

For example, mediation will be confidential and "nonbinding," meaning both sides will have the right to withdraw from negotiations at any time during the process. Any resolution agreed to will be put in writing, however, and its terms will be enforced by the agency.

While not all cases will be resolved as easily as the one involving the small hospital, some employers might be able at least to get a charge addressed faster and less expensively than under the traditional process, agency officials say.

Generally, the agency investigates charges it receives, about 17 percent of which are found to have merit. If an investigation concludes that discrimination has occurred, investigators usually seek some remedy for the aggrieved worker, often back pay or reinstatement if the individual was discharged. When a case drags on, the level of back pay climbs commensurately.

The agency also has the right to pursue discrimination charges in court, and a filing party can pursue litigation on his or her own after obtaining a "right-to-sue" letter from the EEOC. Such a letter can be obtained by anyone whose charge has been pending with the agency for 180 days or more.

Mediation might reduce the potential for big legal costs and higher back pay if some cases are addressed and closed early. Many of the cases involved in the pilot project from 1993 to 1994 did not involve exorbitant remedies, according to EEOC officials and an agency report on the project.

For example, in Houston—one city where mediation was tried—a few cases were resolved after the employers simply apologized and rehired the discharged workers, says Harriet Ehrlich, director of the EEOC's Houston district office. A few cases were settled by offering a worker the opportunity to resign rather than be fired. The highest level of damages agreed to in resolving a case was about $30,000 in back pay, Ehrlich says.

Ehrlich says she sees many troubling cases of discrimination in her Houston caseload of more than 4,500 charges. And while such cases should be pursued vigorously, she says, many others could be ripe for mediation. "I think it's a fantastic approach." NB

PHOTO: GENE COLICHICAGO TRIBUNE/ART

Though not a panacea, mediation "will play a significant role in the reinvention" of the EEOC.

—EEOC Chairman Gilbert F. Casellas

Have Employment Questions?

Readers with questions about personnel or other matters are encouraged to send them to Direct Line.

Each month, Direct Line answers readers' queries on a variety of business ownership and management topics. To send a question, see Page 71.

What Constitutes A Disability?

The U.S. Equal Employment Opportunity Commission recently released long-awaited guidance about what constitutes a disability under the Americans with Disabilities Act.

The guidelines may not entirely clear up the confusion caused for some employers by the 1990 law's broad definition of disability, but they do offer useful insights. They contain examples of impairments covered by the law. They also will serve as a manual for EEOC enforcement staff members considering cases.

Issued in March, the guidelines also contain a history of conditions Congress specifically exempted from coverage and give details on how the courts have viewed some conditions.

In general, the disabilities law requires employers to accommodate the disabled, either as employees or as patrons. Under the ADA, it is also illegal to fire or to refuse to hire someone with a disability unless the individual is unable to perform a job's basic tasks. A person is covered by the law if he or she is substantially limited from conducting a "major life activity," which can include both physical and mental impairments.

Here are some issues addressed by the guidelines:

■ Cultural and economic disadvantages are not covered by the ADA; neither are "common personality traits," such as impatience.

■ Pregnancy is not covered. Normal deviations in weight, height, or strength are not covered. For example, although courts have extended ADA protections to severely obese individuals, this is generally defined as weight in excess of 100 percent of the norm or that stems from a medical disorder such as a thyroid condition.

■ Temporary or short-term problems generally are not covered. Length of recovery from a nonpermanent impairment is one factor that should be weighed by the EEOC in deciding whether it is a disability.

■ The guidelines offer more insight into the touchy area of drug use. The statute excludes protection for illegal drug users disciplined for current abuse. However, it extends job-bias protections to those who have stopped abusing substances or who are falsely presumed to be drug users. To qualify as a disability under the ADA, a person's drug history must be related to addiction, not casual use.

To obtain a copy of the 60-page publication, request *Compliance Manual Section 902, Definition of the Term 'Disability,'* from the U.S. Equal Employment Opportunity Commission, Office of Communications and Legislative Affairs, 1801 L Street, N.W., Washington, D.C. 20507.


"I've loaded my pickup with something as heavy as a B-26 bomber engine and it's never failed to take off."
BILL DUFF, J.W. DUFF AIRCRAFT CO., DENVER, COLORADO
BUILT FORD TOUGH
Ford

INTERNATIONAL TRADE

Hot Markets Overseas

Small companies are discovering success selling their products and services in emerging economies abroad.

By Roberta Maynard

In Ginny Hall's view, nearly every international market is hot. From her two-person business, Hall & Hall Global Trading, in Colorado Springs, Colo., she has been busier than ever arranging for the sale of goods around the world: chicken to Egypt, sugar to Russia, and American blue jeans to just about everywhere. In business only five years, Hall already has commercial ties in 45 countries.

In those five years, she notes, a major change has taken place: More people want more things, and those would-be consumers have the money to buy them. "Everything American is in demand," she says, "including beet sugar, butter, beef, veal, canned goods, turkey, cigarettes. Fertilizer and portland cement, too."

Like many international traders, Hall has been successful in traditional markets, but she has also discovered extraordinary opportunities in what are called the world's emerging markets.

These dozen or so countries, many with large populations, are enjoying explosive economic growth. Most are moving toward democracy, and most are transferring industries from public to private ownership and reducing tariffs and other barriers to imports. In all, they promise to become powerhouse markets for U.S. goods in the decades to come.

Last year, the federal government identified the top 10 emerging markets for U.S. exports and investment. They are the Chinese Economic Area, which includes China, Hong Kong, and Taiwan; India; Indonesia; South Korea; Argentina; Brazil; Mexico; Poland; Turkey; and South Africa.

The gross domestic product of these countries, with half the world's population, totals more than $2 trillion, about one-fourth the GDP of the industrialized world. In 15 years, the emerging markets' GDP should rise to about half the industrial world's GDP, according to the U.S. Department of Commerce.

The Commerce Department forecasts that opportunities for U.S. trade are likely to increase dramatically as these big emerging markets (BEMs) increase purchases of capital equipment, including industrial and farm machinery, electric-power transmission and transportation equipment, and high-technology products. Here is a sampling of these hot markets:

Chinese Economic Area (CEA). Made up of China, Hong Kong, and Taiwan, it's the biggest emerging market, with the world's seventh-largest economy.

China alone has a population of 1.2 billion and has enjoyed an annual economic growth rate of 13 percent the past two years.

Asia generally is poised to become the epicenter of future global investment activity, according to a survey by Ernst & Young, the New York-based professional-services firm. Ernst & Young foresees substantial investment growth in India, Indonesia, Thailand, and Malaysia, as well as in the Chinese Economic Area.

Ohio Electronic Engravers Inc., which manufactures heavy equipment for electronic printing, is already reaping the benefits of sales to the BEMs. Five years ago, the Dayton, Ohio, company had sold five of its units in China. Since then, it has sold 52 more at a cost of $400,000 to $900,000 each.

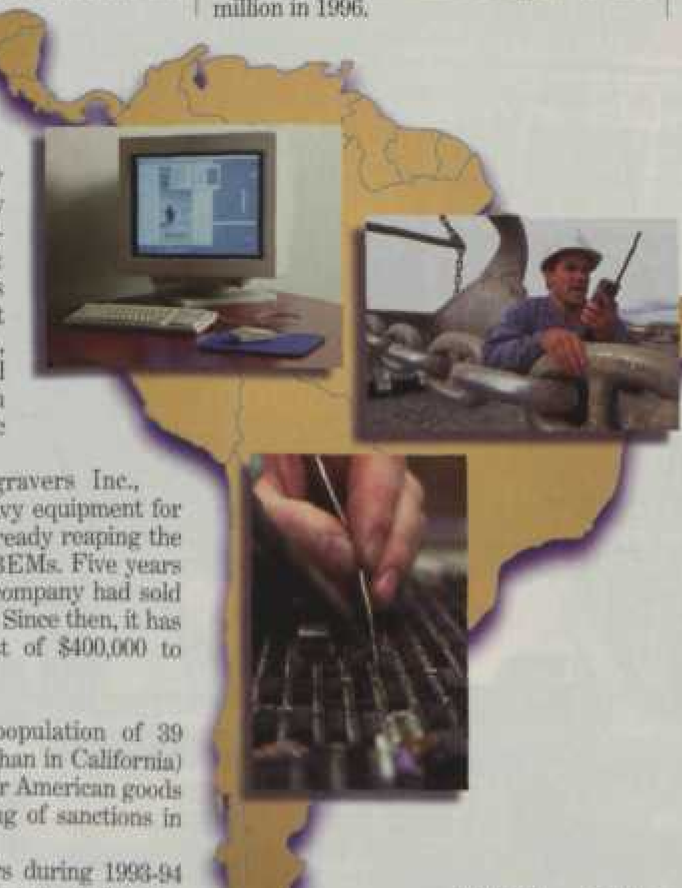
South Africa. Its population of 39 million (9 million more than in California) has a pent-up demand for American goods in the wake of the lifting of sanctions in 1991.

Import growth sectors during 1993-94 include machinery (computers, appliances, and office machines), up 14 percent; telephones, 35 percent; electrical products, 20 percent; compact discs, cassettes, and related media, 30 percent.

India. It has a low average per-capita annual income but a growing middle class. An estimated 200 million Indians now have annual incomes comparable to those of middle-class Americans.

In 1993, the Indian government approved $1.1 billion in U.S. investments, up from $20 million in 1990. Also in 1993, U.S. exports to India increased 44 percent over the previous year.

FloWind Corp., of San Rafael, Calif., is benefiting from India's need for power-generation equipment. The company recently signed its first Indian contract, involving a $29 million sale of wind-energy equipment and technology. Harold F. Koegler, FloWind's president and CEO, expects sales to India to grow to $90 million in 1996.



Poland. While some Americans have experienced difficulty exporting in this former Soviet bloc country, others have enjoyed success. For example, Ginny Hall, the export trading company owner, has found Poland "wide open, with a lot of privatizing going on." The demand there is for many of the goods she handles, including basics such as sugar, tires, and housing components.

Other hot prospects are hotel and restaurant equipment, furniture, and

pollution-control equipment.

Though the United States is not a principal trading partner of Poland, U.S. exports to Poland increased from $400 million in 1990 to $900 million in 1993. They are projected to reach $7 billion by 2000.

Turkey. Total imports are expected to grow an average of 15 percent annually through 2000, to about $120 billion. The promise of growth prompted U.S. entrepreneur Robert Stevenson to enter the market through a joint venture a year ago.

Stevenson is president of Eastman Machine Co., in Buffalo, N.Y., which makes equipment for the apparel industry. Turkey's strategic location has made it a distribution point for goods heading to Europe, Asia, and the Mideast, Stevenson has found.

Argentina. South America's richest country enjoyed GDP growth of nearly 24 percent from 1990 to 1993. During this period, its total imports increased 400 percent to $16.8 billion as the government eased trade barriers.

A world leader in privatization, Argentina has placed nearly all of its major public-sector companies in private hands, including the nation's airlines as well as its natural-gas, oil, insurance, and electric-power companies.

Emerging markets figure prominently on individual states' export-priority lists, too. Iowa, for example, has been focusing on Latin America, Japan, and the rest of Asia as potential markets for its farmers' grain, soybeans, corn, cattle, and pork—but also for medical products and other high-tech goods.

"Small manufacturers are emerging here as a new business arena as a result of 10 years of downsizing," says Ronald Manning, director of the Small Business Development Center in Ames, Iowa.

Oregon's proximity to the Pacific Rim gives it an edge in the booming environmental market there. Of the four countries Oregon targets for export promotion, three are in Asia. Three of the countries it targets are emerging markets: South Korea, Taiwan, and Mexico; the fourth is Japan.

"If you look at environmental services, most countries in Southeast Asia will be really good markets," says Sunun Setboonsang, international trade development officer in Oregon's economic development office. "Years of very strong growth have left behind very polluted areas that need help with air and water." This is especially true of Thailand, Malaysia, and Indonesia, known as the "little dragons." Consumer goods as well as agricultural and forest products are

also in demand, says Setboonsang. "For these, the buying power in Asia is enormous."

The strong interest in emerging markets by no means suggests that industrialized countries can't continue to be lucrative markets for U.S. goods.

In just one evening last month, trader Ginny Hall received 23 orders from Europe. She is selling large volumes of used jeans in Italy and Greece, sometimes shipping as many as four 20-by-40-foot containers a month. She buys jeans for as little as $1.95 a pair and sells them for up to $80.

In 1993, governors from 27 states made more trips to Germany than anywhere else, according to the National Governors' Association, in Washington, D.C. Of 81 trips abroad made for investment and export promotion and related purposes, 17 were to Germany, followed by 12 to Mexico and eight to Japan.

A recent Coopers & Lybrand survey of 428 small and midsize U.S. companies shows that more than 40 percent of those targeting new countries for export are planning to enter the Pacific Rim. But almost as many, 39 percent, plan to expand activities to European countries. The United Kingdom, France, and Germany were the top three named.

> "Everything American is in demand."
>
> —Ginny Hall, International Trader

In truth, there can be no definitive list of hot markets because no product or service does well everywhere. Any business thinking about exporting to or investing in any country—emerging markets or otherwise—should evaluate each market separately. Here are a few sources of market data:

State international trade offices. Check with your state economic development department for details.

Private firms. Dun & Bradstreet, for example, has just introduced Global Scope—detailed, customized reports on the largest, fastest-growing markets. The cost per report is $149. For details, call 1-800-999-3867, Ext. 6514.

U.S. Department of Commerce. It is co-sponsoring seminars on the big emerging markets in several cities this summer.

The cities include Cleveland, June 8; Chicago, June 13; Los Angeles, June 15; New York, June 20; Denver, June 30; Atlanta, July 20; Miami, July 26; and Orlando, July 27.

A second round of seminars at different locations is planned for the fall. Each one-day seminar, geared toward senior-level executives, costs $179.

For more information, call 1-800-336-4307.

Also this summer, the Commerce Department plans to offer a new book on emerging markets. And by July, BEMs will have a home page on the Internet.

U.S. Chamber of Commerce. It has announced a new system to enable small and midsize businesses to buy, sell, and invest in markets around the world by using their personal computers. IBEX will be marketed through the national Chamber, local chambers, and trade associations.

Full-scale distribution is slated for September. For information, call the Chamber at (202) 463-5460. NB

Small Business Computing

Bringing cash-flow management in-house, plus an eye-pleasing monitor and other new products.

By Ripley Hotch

SOFTWARE

Accounting Programs You Can More Than Count On

When Max Klein bought Mike's Meat Market in Nashua, N.H., in 1987, he inherited a paper-and-pencil accounting system and an outside firm that prepared the payroll for his 11 employees but charged extra for weekend work—necessary for the Monday paydays he insisted on. To eliminate the outside firm's weekend preparation charges, he brought the payroll work in-house, but that cost him free time on Sundays.

He got his weekends back without increasing overhead by adopting a computerized accounting system, One-Write Plus. It's similar to manual one-write systems in that it transfers the familiar checkbook-and-ledger approach to a computer screen, rather than create a whole new format that the user must learn.

Almost immediately, weekly payroll chores "went from taking more than two hours Sunday after work to about 15 to 30 minutes," Klein says.

The understanding he has gained of his market's cash flow and the confidence he has built in the accuracy of the tax forms he generates are indirect benefits of computers, Klein says. The accounting software "lets us know where we are, and we don't incur any type of penalties to the government. . . . I just can't say enough about it."

Few people who run small businesses have formal training in accounting, yet many now are doing the work previously contracted to financial professionals. As was true with Klein, they typically bring the work in-house because of their desire to spend less and manage more effectively.

They're able to do both thanks to the declining prices of high-speed computers and the emergence of powerful, full-featured accounting software, says Ted Needleman, editor of the trade magazine *Accounting Technology.*

"Small-business owners . . . have become tremendously more sophisticated about knowing how their business functions," Needleman says. "A lot of that is [a result of] their maintaining good financial records." Moreover, he says, entrepreneurs are demanding—and getting—management information from their accounting systems.

Accounting software programs run the gamut of price and capabilities.

High-end packages cost thousands of dollars and generally require third-party help to install and configure. They are usually aimed at very large organizations that want to allow simultaneous operations such as multiple-user access, foreign-currency transactions, and constant updating of the company database.

Among those lower-end packages, Quickbooks has captured more than 50 percent of the market, with Peachtree Accounting second with about 30 percent. The rest of the market is divided among a number of providers.

Peachtree was the first program to gain popularity among smaller companies, and the software's continuing popularity has resulted in part because of its ease of use and ancillary management features. Mark Allen, controller of Ragle & Co., a property-management firm in Terre Haute,

PHOTO: ERICA FREEDMAN—BLACK STAR

Butcher and entrepreneur *Max Klein can spend more time cutting meat and less doing accounting, thanks to a personal computer and One-Write Plus software.*

Among the programs are Great Plains, Macola, and Computer Associates.

But low-end packages—which appeal strongly to small-business owners like Max Klein—usually cost under $200 and are basic, user-friendly programs that handle the most common accounting functions: general ledger, accounts receivable, and accounts payable. Most of the programs also determine job costs, do inventory, handle payroll, and monitor vendors and customers.

Ind., says he especially likes Peachtree's reminders, to-do lists, and notifications of critical events such as the bank balance falling below a specified level. Thanks to the program, Allen says, he doesn't have to remember such things.

Allen, who is an accountant, recognizes that Peachtree is a powerful and multifaceted accounting system that used to sell for thousands of dollars but now has dropped to $159. But he also likes the friendly features that Peachtree's authors

have added to the program, such as the flow charts that show how transactions move through various accounts.

Quickbooks, with more than 500,000 users, owes its success, in part, to its ease of use and its similarity to the enormously popular personal-finance program Quicken. Both Quickbooks and Quicken are published by Intuit Inc. of Menlo Park, Calif.

Early versions of Quickbooks were shunned by accountants because the programs did not have an audit-trail feature or inventory modules; the latest version has both. Payroll is an added option for Quickbooks. The program has been praised from the beginning for its well-laid-out reports.

PHOTO: ©SHAWN SPENCE

Controller *Mark Allen prefers Peachtree accounting software.*

Gayle Bordeaux, co-owner of Bohemia Plumbing, in Cottage Grove, Ore., likes the reports and the short work Quickbooks makes of invoicing. "We're a service business, and I used to hand-invoice and then hand-type statements," she says. Quickbooks "has cut my office time in half." The program also tracks overdue invoices and receivables, she says, so Bohemia knows better who owes the company how much.

Bordeaux also notes an obvious but important strength of computerized accounting: It's less susceptible to arithmetic mistakes than a calculator-based system. Recently she was doing a union dues report and was off $34. She says she wouldn't have known about the overpayment if she hadn't been doing accounting through the computer program.

Sheri Blaho is particularly well-versed on entrepreneurs' use of computerized accounting systems: Her company, Total Resolutions, in Tulsa, Okla., sells accounting systems for small businesses. Blaho's favorite is DAC Easy. She says this program is powerful and full-featured yet sells at a bargain price. Total Resolutions needs all the features DAC Easy offers, including inventory management—the company stocks and sells hardware and software—and time billing—it also does consulting work.

This range of features enables Blaho to generate data useful in making management decisions, she says. For example, because "I have everyone log their hours, I can find their average daily billable hours using the program's query tools," she says. "That's how I decide who needs to be coached and who gets raises."

Growing companies also are finding that today's accounting programs are flexible enough to meet their increasing business management needs.

For example, Weschler Instruments, a Cleveland-based manufacturer of metering instruments and controls, has used Solomon software since it automated accounting operations in 1989, when it had about 10 employees.

Liz Rowe, management information systems coordinator for Weschler, says the software has "grown" with the company, which currently has 90 employees. "You can do just about anything you want" with Solomon, Rowe says, "because it's in a format that's user-customizable. It gives me a wealth of opportunities to do things beyond the standardized tools."

For example, Rowe says that a salesperson can be putting in an order while the Solomon system is looking up the inventory item and checking on the customer's sales history. Then it becomes easy for anyone to check on the status of the order. At that point, says Rowe, it becomes an executive-information system, or EIS.

Executive-information systems were

For Information

Many accounting-software packages are on the market, some of them sold in retail outlets and others only through dealers. Solomon and Flagship, for example, are sold through dealers; call the two manufacturers at the numbers listed below, and they will provide the names of the dealers nearest you. The other packages in the accompanying story are generally available in software stores.

Prices are suggested retail.

DACEasy Contact Accounting with Payroll: 1-800-322-3279; $149.95.

Flagship: (214) 248-2400; price varies according to business.

Home Office Plus: $149.95. **Business Office Plus:** $299.95; includes invoicing and inventory. 1-800-872-4381.

One-Write Plus: (603) 880-5100; $69.95.

Peachtree Accounting for Windows: (404) 564-5800; $169.

Quickbooks: (415) 322-0673; $159.95.

Solomon: 1-800-879-0444; price varies according to business.

Turning Dreams into Realities

The "Hitachi Promise of Tomorrow" scholarship program encourages student athletes to take the lessons learned on the football field today and teach children in the classrooms tomorrow.

Encouraging Student Athletes to Become Teachers

During his three years as nose guard on Louisiana State University's football team, John Mawae came to know the thrill of victory and the agony of defeat. But nothing moved him more than working with disabled children in a Special Olympics held at LSU. "Seeing those kids realize their dreams against all odds really got to me," Mawae recalls. "I knew then what I wanted to do: help kids like them realize their dreams."

Mawae will get that chance, thanks in part to the "Hitachi Promise of Tomorrow" scholarship program created by the College Football Association (CFA) and sponsored by Hitachi, Ltd. Started last academic year, the program awards $335,000 in scholarships at the 67 CFA member universities. At each university, a $5,000 scholarship is awarded to an outstanding senior or graduate student who intends to become a teacher and has participated in the school's football program as a player, trainer, or manager. Mawae, a 1992 scholarship recipient, intends to use his grant to pursue a career teaching kids with special needs.

"Teaching plays an important but undervalued role in society," says Charles M. Neinas, the CFA's executive director. "We'd like to encourage more student athletes to pursue this field, because we think that what they learn on the football field helps to make them effective teachers in the classroom."

Nicole Hagner, a recent University of Pittsburgh graduate, agrees. "Athletics teaches you that it's possible to turn the right dream into a reality through hard work, discipline and teamwork. I'd like to bring that lesson to the classroom," she says. Hagner, who served as a student trainer on Pitt's football team, plans to use her grant to become certified as a high school biology teacher.

Nicole Hagner, University of Pittsburgh graduate and 1992 scholarship recipient.

As college football fans and parents of school-age children, we are proud to be a part of the "Hitachi Promise of Tomorrow" scholarship program. We hope that it helps more student athletes like John and Nicole to realize their dreams of becoming teachers.

HITACHI

SOFTWARE

once very complex, expensive, and sophisticated programs that allowed managers to generate reports about information in a company's database.

New versions of the EIS products can dip into accounting data and give reports that are up-to-the-minute.

Bill Dime, a distributor of the Flagship accounting system, says the problem with old executive-information systems was that they would produce hundreds of pages of reports, but none would alert you to problems.

Dime is designing a version of the EIS in Flagship for AAA Egg Farms, in Harris, Calif., that will give Neal Rye, the general manager, just "two or three screens with the hot spots." The data on these few screens make it obvious to Rye what he needs to work on. "That kind of very focused information is more important to managers than the reams of reports that used to be spit out by fast printers on huge computer systems," he says.

Charles McGonagle, product manager for One-Write Plus, believes there is much more that small-business accounting systems can do in putting all the information in an accounting program at the fingertips of the owner. "This database of customers and vendors and employees is probably one of the most valuable assets of the business," he says. "We need to get better at allowing the small-business person to query that and do more with it."

Part of the quandary software developers face, he says, is how much to include. One program, Cashgraf Home Office Plus for Windows, tries to include everything a home office needs. It contains checking and bookkeeping, reporting, and budgeting modules. It also features a word processor, contact manager, phone dialer, appointment book, financial calendar, and more.

The advantages of combining all these features are obvious. You don't have to re-enter data or load separate programs. The drawbacks, however, are that none of the programs are as good as ones dedicated to each area.

For a fairly simple sole proprietorship that is service-oriented, such a program is fine. Anything more complex, however, will probably require a more sophisticated accounting program.

Easier and more-powerful software will continue to encourage small-business people to do their own accounting and bookkeeping.

And as more entrepreneurs take on this task, they will in turn press software publishers for increasingly powerful financial tools that will enable them to do better managing and planning. ■

BITS AND BYTES

Easy On The Eyes And The Wallet

Nokia Display Products Inc., one of a related group of Finnish high-tech companies with annual sales totaling about $5 billion, has been doing business in the United States since the mid-1980s. Relatively few American consumers, however, have ever heard of the firm, whose computer monitors have been sold until recently bearing U.S. brand names exclusively, including Compaq and IBM.

The Valuegraph 447L *from Nokia includes enclosed speakers and convenient, front-mounted controls.*

The company's first offerings bearing the Nokia name were top-of-the-line models for graphics, architecture, engineering, and desktop-publishing professionals. They were expensive—up to about $2,250 for the 21-inch Multigraph 445X—and they won a collection of performance and value awards from the computer trade press.

We've been testing a new product aimed at small-business and home users, the Valuegraph 447L. This model, with a flat, square, 17-inch tube, features technical specifications that are easy on the eyes: a 28 mm dot pitch and a maximum resolution of 1,024 by 768 dots per inch at a screen redraw rate of 75 hertz. The monitor also has nonglare and antistatic coatings on the screen, negligible radiation emissions, and convenient, front-mounted controls. Moreover, the 447L includes excellent, enclosed speakers, and the monitor comes in several colors.

With a suggested retail price of only $699, the 447L is a superior value.

—Albert G. Holzinger

A Vehicle Capable Of High-Tech Cruising

The power-packed computers manufactured by Aquiline Inc. in Troy, N.Y., have typically received favorable reviews over the past few years in trade and general business publications, including *Nation's Business*. We have completed testing one of the company's newer models, the Cruiser, and can report that it, too, is praiseworthy.

A key feature unique to the Cruiser is a removable active-color LCD (liquid crystal display), which can be placed on a standard overhead projector for presentations to large groups.

We've always admired the fit and finish of Aquiline's products, including the Cruiser, and have been impressed with the company's unlimited technical support and optional five-year warranty. Moreover, you can order exactly the mix of power and features you need from the wide range of choices offered. For a list of options and prices, which generally are in the $6,000 to $7,000 range, call Aquiline at (518) 272-0421.

Software That Can Help You 'PerForm' Better

PerForm for Windows by Delrina Corp. of Toronto aims to make it easy for entrepreneurs to create and fill out business forms. The product is right on target.

PerForm fully automates the task of creating 43 common forms, ranging from internal paperwork such as auto-travel logs, employment applications, and expense reports to customer-oriented documents such as credit applications, invoices, and purchase orders.

DelrinaExperts, patterned after the Wizards templates pioneered by Microsoft Corp., lead users step by step through the process of merging the form templates with company data such as addresses and logos. A lot of customization is possible, and the results appear highly professional.

PerForm also enables users to fill out forms on screen before printing them, which provides a professional look. Completed forms are stored in a format that can be searched according to as many as four criteria. This characteristic, in effect, makes PerForm a rudimentary database program.

PerForm lists for $129 but is available for less at many retail and mail-order outlets. NB

Family Business

Criteria for peak performance; managing egos; a couple faces a crisis.

OBSERVATIONS

What It Takes To Be A Winner

By Sharon Nelton

PHOTO: T. MICHAEL KEZA

What makes a family business excellent? And how close does your family business come?

Some answers to those questions can be found in the criteria that are being used to determine "family businesses of the year" at state, regional, and now national levels.

Earlier this spring, three businesses were named winners in the first National Family Business of the Year awards: Oil-Dri Corporation of America, an absorbent-materials company in Chicago; the Eckert Cos., based in Belleville, Ill., a diversified organization that includes pick-your-own farms, a country store, and produce distribution; and Bradford Roofing & Insulation Co., in Billings, Mont. The three companies were chosen from a dozen state and regional awards programs.

As guidelines for a panel of five judges, the program, sponsored by Massachusetts Mutual Life Insurance Co., used criteria that have evolved over time in awards programs in such states as Georgia, Illinois, Oregon, and Texas. Here, in brief, are what the judges in the national awards program were looking for—and what they found in the winners:

1. **Business Success.** Growth in revenues, employees, and profits, as well as a company's maturity and stability.

2. **Positive Family-Business Linkage.** For example, are the family's values reflected in its management? And has the family used the business to strengthen the family and maximize the potential of its members?

3. **Multiple Generation Involvement.** How many generations have been involved in ownership and management? The Eckert Cos., for example, is now in its fifth generation of family leadership.

4. **Contributions To Community And Industry.** Has the family business provided leadership, service, and financial support to industry associations and community groups?

5. **Innovative Business Practices Or Strategy.** Has the family developed practices and strategies that have enhanced the company's longevity and helped to achieve healthy evolution from generation to generation?

Family-business award programs in some states—including Oregon, Texas, and Washington—have a family firm's succession preparedness as an additional measure.

Patricia Frishkoff, head of the Oregon State University family-business program, in Corvallis, started the country's first family-business awards program in Oregon seven years ago. She says business owners tell her the application process itself is an important one because it creates a "learning environment" for the family. "We have had businesses say, 'This is a catalyst for us to think about where our family business has been and where it's going.' "

And it's perhaps to the credit of the many fine family businesses that are out there that Frishkoff adds: "I have never seen an application where you couldn't have given a prize. There are winning traits in every application, and judging is very difficult." ■

PLANNING

How To Manage Your Firm's Biggest Threat

By Craig E. Aronoff and John L. Ward

"What is the greatest challenge to family businesses?" "When they go wrong, what's the most common cause?"

We're often asked these questions, and our answer, in a word, is "ego." Too much "me" and not enough "we" makes it impossible to achieve common goals and shared values—both vital to the best-working family businesses we know.

Entrepreneurs in particular can have the business smarts and strength for great success, and they may truly desire that their children carry on the businesses they started. Yet they often fail at family-business succession. The very sense of self that compels their success inhibits their ability to share or transfer power.

But powerful ego is not the exclusive domain of founders. Spouses, children, and others in family-business systems can assert individual agendas in ways injurious to the family and the business as a whole. These may be elders other than the founder who refuse to relinquish power to capable successors, or a cousin who insists on larger dividends without regard for what's good for the business.

These family members focus on their own needs and goals, fostering conflict in the family and potential abuse of the business. In time, what may have been

PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. They are principals in the Family Business Consulting Group, Inc.

imagined as "one for all and all for one" becomes a culture of "every man for himself," particularly as the family-business ship begins to sink.

Obviously, successful family businesses strike a balance between individual goals and family goals. Strong individuals are needed to provide leadership, stimulate healthy progress, and maintain accountability. But their strengths must be used in a way that is consistent with the family's shared values and with goals that serve the greater whole.

How can the family recognize when individual agendas go too far? And how can the delicate balance be best main-

ILLUSTRATION: TROY THOMAS

tained? First, some symptoms of an ego that is out of control:

■ Being excessively or obsessively secretive about matters that affect others in the family or the business, such as withholding business financial information or refusing to disclose ownership or management succession plans for fear of losing individual power.

■ Asserting rights where none exist, such as demanding a job, a promotion, or a board seat because of ownership of a minority stock position.

■ Refusing to acknowledge or consider other views.

■ Taking unilateral action that others have refused to support. We've seen family members try to sell the business without authorization or shareholder agreement.

■ Breaking explicit agreements, rules, policies, or laws in pursuit of personal goals or agendas—such as incurring frivolous expenses.

■ Blaming others inappropriately for frustrations, failures, or lack of achievement—such as accusing the CEO of not providing opportunities when, in fact, such opportunities were not earned.

Once battle lines are drawn among conflicting egos, win-win solutions are hard to find. While such conflicts can be negotiated, arbitrated, mediated, suppressed, denied, or otherwise managed, they eventually take their toll. Those who always find themselves on the losing end of the ego clashes typically withdraw from the family business, mentally if not physically.

We offer these suggestions for maintaining balance between individual and family goals:

■ Build a culture that emphasizes family first or business first, but not ego first. The family culture should respect individuals and their needs but should make clear that teamwork and professional practices are more important than any one person.

■ Limit individual power with written policies, codes of conduct, family constitutions, mission statements, or other jointly produced statements of family norms and values.

■ Educate everyone in the family business so they can constructively understand and carry out their rights and responsibilities as employees, owners, and family members.

■ Emphasize communication, openness, information sharing, and the importance of giving feedback.

■ Make it clear to family-business participants that promotions, pay, power, and credibility depend on accomplishments, preparation, ability, and willingness to accept accountability.

■ Demonstrate commitment to accountability by having an active board of directors that includes strong outsiders (such as other business owners) and by keeping shareholders and managers informed.

■ Credit successes to teams, principles, and values, not to individual leaders.

What distinguishes families that are harmonious from those in conflict is not their degree of agreement but whether they emphasize their differences or their common ground. Where differences are given more weight and common ground is ignored, individual agendas—egos—become the overwhelming motivators.

The fundamental key to family-business survival is the establishment and growth of trust. Individuals pursuing their own ends without reference to the goals of others or the system itself ultimately erode trust and destroy the glue that holds a family business together. The balance can be tenuous, but that it can be achieved by committed families is something we've been privileged to observe again and again. ■

MARK YOUR CALENDAR

June 6, Toledo, Ohio

"Strategic and Management Planning for Family Businesses" is a seminar sponsored by the University of Toledo Center for Family Business. Call Debbe Skutch at (419) 537-4058.

June 13, Lafayette Hill, Pa.

"The Family-Owned Business: Succession or Destruction" is the topic of a CPE (continuing professional education) seminar designed for certified public accountants and sponsored by Fox, Rothschild, O'Brien & Frankel, a Philadelphia law firm. Contact Bob Gero at (215) 299-2034.

June 13, Philadelphia

"Fathers and Sons in Business" is a seminar offered by the Delaware Valley Family Business Center. Call Henry Landes at the center at 1-800-296-3832.

June 20, Randolph, Mass.

"The Non-Family CEO: Rewards and Risks of Non-Family Key Managers" is a session of the Northeastern University Center for Family Business. For information on membership, call Paul I. Karofsky, center director, at (617) 320-8000, Ext. 8015.

June 28-30, Eugene, Ore.

"Rejuvenation: A Family Business Retreat" is planned "for family members ages 12 to 105." Topics include creating an orderly succession, defining family values that guide business practices, and identifying what a business needs in its next leader. Call the Austin Family Business Program, Oregon State University, at (503) 737-3326.

Aug. 17-20, Aspen, Colo.

"The Aspen Family Business Gathering" includes such topics as succession planning, negotiating complex family matters, and dealing with success and wealth. Call Marjorie Hilts at the Aspen Family Business Group at (303) 925-8555.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

One small step for man. One giant leap for man's business.

Former turboprop operators have found that the step up to a CitationJet is an easy one.

The CitationJet is actually easier to fly. With fewer controls to handle, no props to feather, and a sensible, user-friendly cockpit. It's even FAA-certified for single-pilot operation.

The financial step is easy, too. The CitationJet is priced below the King Air B200. And it costs even less to operate than the smaller C90B. We'll guarantee it in writing.

But the advanced-technology CitationJet delivers the performance that only a jet can offer. It cruises 110 to 150 mph faster than the C90B, getting you to your destinations sooner. It climbs faster and provides greater range. And it flies nearly two miles higher, far above most traffic and weather.

Just some of the reasons why nearly 100 CitationJets are already in service worldwide, less than two years after the first one was delivered. Perhaps a CitationJet could mean a leap forward for your business, too.

The first step toward finding out is as simple as picking up the phone. Just call Roger Whyte, Vice President, Worldwide Sales, at 1-800-4-CESSNA.

CITATIONJET

Cessna
A Textron Company

Behind The Times—At Home And In Business

When SueEllen and Bob Brandt were married in 1974, their friends thought they were the perfect couple: a handsome pair with power and status in the community.

Now, two decades later, their business and their relationship are in trouble.

After they married, Bob assumed the roles of president and CEO of his family's seed company. There was more business than Brandt Seed could handle, so Bob hired more employees, purchased more driers and packaging equipment, and leased more warehouse space.

While Bob was busy expanding the business, SueEllen was rearing children and looking after the family home that had been left to her by her parents. While it was a large and beautiful house, SueEllen had been disappointed to learn that it was her only legacy. Her parents' own business was left to her brothers.

Three years ago, things changed dramatically. Bob was so busy with Brandt Seed on a day-to-day basis that he hadn't kept up-to-date on the technological changes made by the much larger seed companies. Business tumbled 65 percent from 1990 to 1992, forcing Bob to downsize and to renege on several warehouse leases.

Recently, Bob asked SueEllen to take a mortgage out on their home just to bridge them financially until business picks up. "Bob doesn't know what he's asking of me," says SueEllen. "This home is all I have left from my family." She's afraid she could lose everything—including her status in the community.

"SueEllen underestimates my ability to build the business up again," complains Bob. "I just wish she would trust me."

They recognize that their problems seem to be undermining their relationship to each other and to the business. They ask, "What can we do?"


ILLUSTRATION: TROY THOMAS

Separate The "Systems"

Multiple systems are contributing to the Brandts' frustration. At the individual level, SueEllen has a strong emotional connection to her parents through the family home and a need for status and power in the community. During this time of uncertainty, Bob needs affirmation and support from his wife regarding his business acumen.

At the business level, technological advances and professionalization are needed.

And finally, at the family level, a gap exists because of a misunderstanding of personal and business issues. Communication has broken down, perpetuating misunderstanding and faulty assumptions.

The real problem lies in the blurred boundaries separating the individual, the family, and the business. Bob's *business* solution (mortgage the house to fund modernization) creates high *personal* fear in SueEllen. Bob sees SueEllen's desire to protect an emotional investment (the house) as a lack of trust, and SueEllen sees his willingness to risk her only tie to her parents as unfair.

If they could clarify their needs at each level, they might be able to come up with options that are acceptable to both of them. To do so, they must share with each other their fears and concerns in an open and honest manner.

I recommend that they get away together—call it a "spousal retreat"—to discuss these issues. Because their marriage has a strong foundation, time away from daily pressures should facilitate the conversation necessary to find some mutually agreeable solutions.


PHOTO: [illegible]

William "Chip" Valutis, a psychologist and co-founder of Family & Business Directions, Inc., a family-business consulting firm in Williamsville, N.Y.

Become Real Partners

This case very clearly illustrates one of the most common and wrenching dilemmas facing marriages and family businesses in a time of changing social roles.

Early on, encouraged by her own parents and with Bob's support, SueEllen took on a homemaker role. She continued in that role even after social mores changed during the 1970s and 1980s, and that has left her less capable of being a true partner in the family enterprise. Bob also remained stuck in a mind-set that was appropriate for an earlier time, and now he is scrambling to catch up. What's needed now is for SueEllen to assume a full partnership with Bob in the business.

To do this, SueEllen must make a break from the past and from her current attachment to status and image. She must be willing to recognize that her fortunes are tied to the business and that both she and Bob must reach sound business decisions together.

For his part, Bob must learn to share power with her by placing her on the board or giving her an active role that she is capable of assuming. She can hardly be expected to invest her inheritance in the company without becoming actively involved in the business and gaining an understanding of it.

SueEllen might even take some university courses in management. The more time she spends in the business, the less important it will be to her to live up to appearances.

And the more knowledge she gains getting an accurate picture of her husband's business acumen, the better she'll be at estimating his ability to build up the business again.


PHOTO: [illegible]

Richard Campbell, president and owner of CBT Financial Services, Inc., in Torrance, Calif.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute.

MANAGING

When You Want An ® Rating

The name of your product or service is vital. Here's how to get a trademark registration to protect it.

By Billie Munro

Imagine getting ready to launch a business, only to find that someone else has already adopted the name you intend to use. That's what happened a few years ago to Nathan Benn, president of Picture Network International, based in Arlington, Va.

Fortunately, Benn had secured a trademark registration for his electronic photo and image database service, SEYMOUR. The other firm hadn't bothered to do so. As a result, Benn had the legal leverage to force the other business to change the name of its service. "Our trademark search and federal registration were well worth our efforts," says Benn. "As a result we were able to halt another service from using a confusingly similar mark and focus on SEYMOUR's launch date."

A trademark may be a word, a name, a symbol, or a device identifying goods or services. Registering a trademark with the Patent and Trademark Office (PTO) is fairly simple and may be done with or without the aid of an attorney.

Among other things, the application requires information about the company or person registering the mark and a description of the goods or services the mark designates. The application fee is $245 for each class of goods or services. If the application is approved, the PTO issues a certificate of registration, which generally takes 15 to 18 months.

The certificate is good for 10 years, provided you file a form during the fifth year stating the trademark has been in continuous use since the certificate was issued. The trademark is renewable during the 10th year and every 10 years thereafter.

The registration process could get tricky, especially if someone opposes your application or if the PTO rejects it because of a similar or pre-existing registered trademark. Here, an experienced trademark attorney is invaluable. Generally, an attorney's fees for seeing a mark through registration range from $700 to $1,500, depending upon the situation.

Before filing a trademark application, it's a good idea to conduct a search of existing trademarks. You may do this yourself or hire a search firm. All federally registered trademarks are on file at the PTO's search library in Arlington, Va., which is open to the public.

You may also do the search electronically via the DIALOG service on the WESTLAW database, available at most public libraries for a minimal charge.

A search firm usually charges $85 to $200 to research federal trademark registrations only. A more comprehensive search of all registered and unregistered marks, trade association names, business directories, and telephone directory listings ranges from $250 to $500.

Trademark protection originates in federal law, the Trademark Act of 1946, known as the Lanham Act. Its purpose is twofold: to protect the name and reputation of businesses and to ensure marketplace accuracy for consumers.

Trademarks can prove useful in other ways. Hard Times Cafe, a chili restaurant with four locations in the Washington, D.C., area, is using its trademark to expand its customer base to grocery stores. "It helps people to recognize that the chili they enjoy in our Hard Times Cafes is now available in the grocery store," says co-owner Jim Parker. "The logo definitely depicts Depression-era hard times—sending the message that our chili is a good deal."

Many small-business owners believe that by incorporating, they are protecting their company name, but they are not. A state's grant of corporate authority doesn't protect the right to use the name in interstate commerce. This means others may adopt it. And if others secure a federal registration for it, they could stop you from using it.

Once a federal trademark registration is secured for your business name, the familiar trademark notice symbol ® should be placed on the mark's right-hand shoulder whenever it is used. This alerts others to your federal registration, averting "innocent infringers" and aiding in preserving your company's goodwill.

Until the certificate of registration is issued, don't use ®. Instead, use ™.

Paula Lawson Barksdale, senior vice president of World Shelter, says her company always uses the ® symbol alongside its trademark in all of its promotional materials. The Los Angeles company provides Omni-Sphere ®, prefabricated, low-cost spherical buildings for disaster relief and for remote field camps. "We have to push our trademark," she says, "because our patent expires soon, leaving our trademark as our most crucial tool for protecting World Shelter's reputation."

The Patent and Trademark Office will send a two-page registration application upon request; call (703) 557-4636. NB

PHOTO: T. MICHAEL KEZA

The trademark *of the Hard Times Cafe helps the Washington, D.C.-area restaurant chain expand its customer base to grocery stores, says co-owner Jim Parker.*

Billie Munro is an associate in the intellectual-property practice group with Dow, Lohnes & Albertson in Washington, D.C.

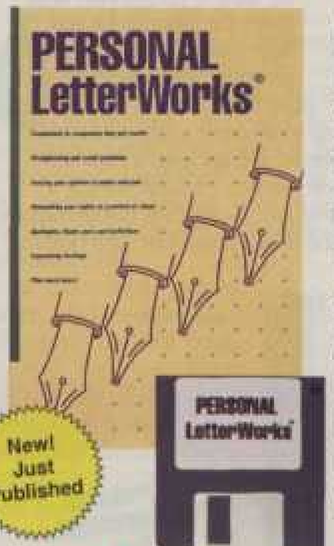
Nation'sBusiness

New!
All software is available for WINDOWS!

ORDER NOW! CALL TOLL-FREE **1-800-765-9341**

400 Letters That Resolve Disputes, Express Opinions, Say Thank You, Mend Fences, Offer Congratulations, Gain Cooperation...and More!

PERSONAL LETTERWORKS



New! Just Published

If you've ever struggled to write a sympathy note to a colleague or friend...if you're tired of dealing with difficult businesses and individuals...if you've ever wondered how you were going to unravel a payment dispute with an uncaring banker...or how to say "I appreciate you" to a subordinate or "thank you" to a boss...then the all-new PERSONAL LetterWorks is the product you've been waiting for. It shows you how to deal with everything from touchy, feelings-oriented issues to hard-nosed "this-is-the-way- it's-going-to-be" situations...and everything in-between. A sensational collection for your business and personal life.

470-page book (400 letters) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

$79.95
plus $6.00 s/h

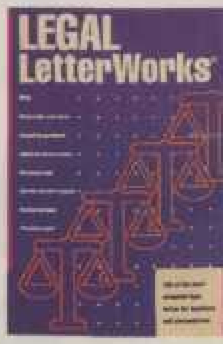
LEGAL LETTERWORKS

165 Legal Forms and Agreements

Count the times you've needed a legal form: a will, partnership or corporation papers, brokerage agreement, real estate lease, contract for sale of goods. Now you can save money on legal fees and avoid time-consuming, deal-killing delays. Just call up the form you want on your computer, fill in the blanks, and print out a completed form.

452-page book (165 legal forms) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

$79.95
plus $6.00 s/h



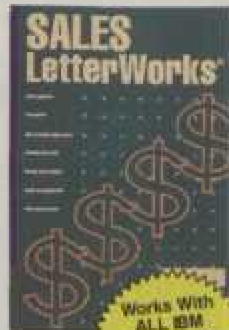
SALES LETTERWORKS

300 Expert Letters That Generate Sales and Profits

No matter what your business is or who you're trying to convince, SALES LetterWorks has the *perfect* letter for virtually every selling situation. Call up custom crafted letters on your computer that cover every aspect of selling: creating repeat business, door openers, lead generaters, customer relations, responses to objections, collections.

372-page book (308 letters) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

$79.95
plus $6.00 s/h



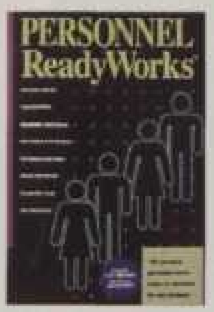
Works With ALL IBM Compatible And Macintosh Word Processors

PERSONNEL READYWORKS

160 Customizable Documents That Help Your Company Run Smoothly and Avoid Mistakes

For a fraction of the cost of creating your own documents, you can protect your company in sensitive personnel areas, including hiring and termination, performance appraisal and discipline, health and safety, government regulations and procedures, sexual harassment, wages and benefits. Be ready for everything!

370-page book (160 documents) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)



$119.95
plus $6.00 s/h

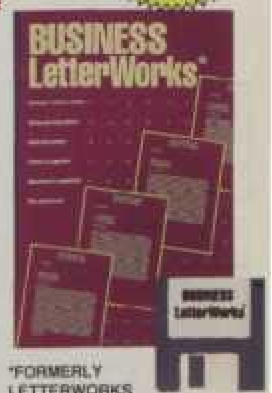
BUSINESS LETTERWORKS*

400 Professionally Written Letters to Cover All Areas of Your Business

If you've ever struggled to tell an employee you're unhappy with his performance, apologize for an employee's rudeness, make an inquiry to a venture capital firm, or any number of other situations...then BUSINESS LetterWorks will simplify your life! You can call up letters from advertising, to dealing with suppliers, to internal communications.

470-page book (400 letters) and computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC)

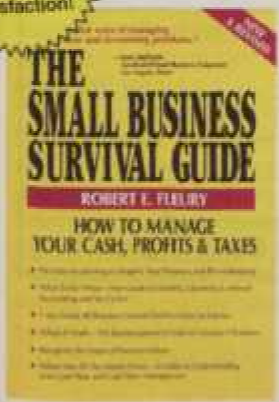
$79.95
plus $6.00 s/h



*FORMERLY LETTERWORKS

BUSINESS BOOKS

Every Product Is % Guaranteed to Your Satisfaction!



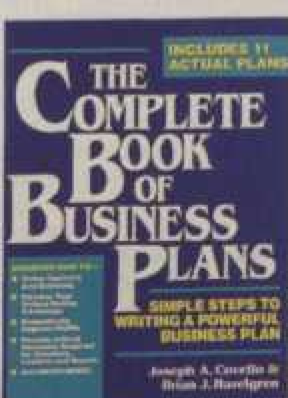
Put Your Business On The Right Track.

THE SMALL BUSINESS SURVIVAL GUIDE

An easy-to-follow easy-to-implement system that covers accounting, taxes, profitability, analysis, cash management, and risk management. Learn the seven key points every small business owner *has to know* to survive.

256-page hardcover book.

$29.95
plus $4.00 s/h



A Guide For Business Start-Up Or Growth.

THE COMPLETE BOOK OF BUSINESS PLANS

Now you can use a proven system that will help your planning process, identify cash needs, obtain financing, forecast and explore alternatives, and evaluate your future. Includes 12 actual working plans.

328-page hardcover book.

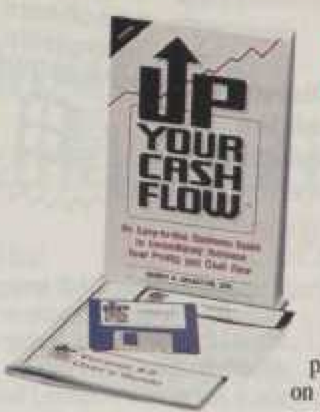
$29.95
plus $4.00 s/h

REAL-WORLD LESSONS FOR AMERICA'S SMALL BUSINESSES

Growing competition, shrinking credit, and sagging profits are just a few of the tough challenges facing small businesses today. This 3-volume video library contains the powerful stories of 50 award-winning small businesses that have overcome such challenges and emerged stronger. All were honored by the Blue Chip Enterprise Initiative. Share the inspiring experiences, success stories, even the mistakes of these small businesses. Learn proven ideas, methods, and strategies that can help you overcome similar challenges and emerge smarter and stronger. Plus, gain more insights from the stories of all 200 regional Blue Chip Enterprise designees recounted in the companion book.

VHS only. 3 videos—running time 2 hours. Includes 227-page book. Regularly $70.00.

Your Price Only
$50.00
plus $6.00 s/h



UP YOUR CASH FLOW

How Much Cash Will You Need Next Week, Next Month Or Next Year?

If you've never had the time or the tools to project cash flow, here's the program for you. *Up Your Cash Flow* is a stand-alone program, not a spreadsheet template. Simply answer the questions on your screen about sales and expenses, and out pops a complete financial plan in spreadsheet format. . . without wasting a moment of spreadsheet set-up time to get it! You can spot trends, run "what if" scenarios, and always know your cash needs in advance.

Computer disk (DOS 5-1/4, 3-1/2 Specify on order form)

$89.95
plus $6.00 s/h

Nation'sBusiness

Order Form

Every Product is 100% Guaranteed to Your Satisfaction!

Mail To: Nation's Business
Circulation Dept.
1615 H St. N.W.,
Washington, D.C. 20062

ORDER TOLL-FREE: **1-800-765-9341**
OR FAX: **1-202-463-5641**

Ship To:

Name ______
Company ______
Address ______
City ______
State ______ Zip ______

QTY.	NAME OF PRODUCT		UNIT PRICE	S/H COST	TOTAL PRICE
	The Power of Customer Service		$99.95	$6.00	
	How To Supervise People		$99.95	$6.00	
	50 Ways to Keep Your Customers		$99.95	$6.00	
	38 Proven Ways to Close That Sale		$79.95	$6.00	
	BizPlanBuilder	DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$99.00	$6.00	
	PublicityBuilder	DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$99.00	$6.00	
	Personal LetterWorks	DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$79.95	$6.00	
	Personnel ReadyWorks	DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$119.95	$6.00	
	Legal LetterWorks	DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$79.95	$6.00	
	Sales LetterWorks	DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$79.95	$6.00	
	Business LetterWorks	DOS ❑ 5-1/4 ❑ 3-1/2 ❑ Windows 3-1/2 ❑ MAC	$79.95	$6.00	
	The Small Business Survival Guide		$29.95	$4.00	
	The Complete Book of Business Plans		$29.95	$4.00	
	Real-World Lessons for America's Small Businesses		$50.00	$6.00	
	Up Your Cash Flow	DOS ❑ 5-1/4 ❑ 3-1/2	$89.95	$6.00	
		CA & D.C. SALES TAX			
		SHIPPING			
		TOTAL			

Orders outside the U.S.A. and Canada add $25.00 per product for shipping/handling.

Method of Payment

❑ Check or Money Order Enclosed
❑ Bill My Credit Card:
❑ VISA ❑ MasterCard
❑ American Express

Card # ______
Exp. Date ______
Signature ______

Send A FREE Product Catalog To:

Name ______
Company ______
Address ______
City ______
State ______ Zip ______

Your Order is 100% Satisfaction Guaranteed or Your Money Back

NB0695

Finding The Right Franchisee

A combination of recruiting devices can help companies expand.

By Meg Whittemore

One of the first franchises, Singer Sewing Machine Co., sold area licenses in the late 1800s, giving individuals the right to sell the company's sewing machines in designated territories. Back then, Singer's advertising sought licensees who were "motivated, well-groomed, and possessed good salesmanship."

A hundred years later, not much has changed. Today's franchisor, for the most part, seeks a motivated person who has the required financial wherewithal and some sales and other general business skills. Franchisors may also require skills or traits that are particular to the industry category or business type.

For many franchisors, expanding a business has become a numbers game of obtaining multiple franchisee leads and closing on them as quickly as possible.

Scores of franchisors relied on this quick-sale approach in the early 1980s to expand rapidly, if only in number of units sold. Too often these franchisors later found that they could not fully support their new franchisees. And without adequate support from the franchisor, some recruits became disgruntled, sued, and won.

Franchisee success *and company success go hand in hand for Deck The Walls, a Houston-based art and frame store franchise. With John Jones, the company's CEO, center, are Pepper Leavine, left, and Steve Lowrey, senior vice presidents.*

"It is no secret that many franchisors spent a vastly disproportionate percentage of their time during the last decade dealing with their least successful, and least happy, franchisees," says Pamela Mills, a franchise lawyer in Chicago. "This franchisee group poses the greatest threat of litigation, legal expense, and system disruption."

Over the past 10 years or so, franchisors have learned—some the hard way—that franchise growth is a *process*, not just a one-time sales event.

The first step in the franchisee recruitment process starts close to home: making sure existing franchisees are happy. "If you are servicing them properly, they will be your best source of advertising," says Warren Lewis, a Washington, D.C., franchise lawyer. "A strong franchisee referral base will only enhance whatever marketing and publicity route you choose," he says.

John Jones, chief executive officer of Deck The Walls, a retail art and framing store franchise based in Houston, says: "The success of our franchisees is our highest priority. When a prospect calls a franchisee to verify that we deliver the support that we claim, we want to make sure that the franchisee can honestly say yes."

Once you are assured that your franchising house is in order, you can begin reaching out to strong prospects. "A comprehensive marketing and publicity plan must be developed from day one," says Rhonda Sanderson, a franchise public-relations specialist in Highland Park, Ill. Without such a strategy, she says, "franchisors often put the cart before the horse by buying ad space without knowing their target potential franchisees."

Whatever method of marketing you use—trade shows; advertising or publicity in national, regional, or local publications; direct-mail campaigns; or word-of-mouth—"the name of the game is planning ahead," Sanderson says. Develop a

FRANCHISING

budget for a 12-month program and experiment with a variety of recruiting vehicles, she says.

Last year, Jones of Deck The Walls added 20 new franchisees, increasing the number of locations to 193. Since selling its first franchise in 1981, the company has tried different approaches.

"Franchise development is a lot like trout line fishing," says Jones. "You put out a lot of hooks, and you never know when you are going to catch something." For Deck The Walls, that means advertising in national publications, journals, directories, and business-opportunity sections of newspapers, as well as producing a videotape. The company is also taking space at the newly opened World Franchising & Licensing Center, located in Chicago. The center, which provides a promotional forum for franchisors, features a permanent Deck The Walls display that is set up in a format similar to a trade show booth.

"All told, we will spend around $700,000 on franchise recruitment and real-estate management this year," says Jones. "It is a terribly expensive process."

Total start-up costs for a Deck The Walls franchisee range from $135,000 to $200,000, depending on location. That includes the $35,000 franchisee fee. Twenty franchisees are expected to join the system in 1995.

The franchise fee is typically used to offer support to the incoming franchisee, not to cover recruiting costs. Funds for ongoing franchisee support come out of the franchisor's overall operating budget.

Deck The Walls seeks a prospective franchisee who has experience in art, previous success operating another business, and high financial liquidity. "This kind of candidate doesn't typically go to trade shows or respond to infomercials," says Jones.

He tried trade shows for several years but found the results disappointing. "We are looking for a very specific kind of individual," he says, "and our franchise is so site-sensitive that we found our concept just didn't lend itself to the broad appeal of trade shows."

Nonetheless, for franchisors who are just starting to expand, regional and national trade shows can be the best way to cast a wide net. Trade shows are often the first place franchisors go for mass marketing of their franchises. And with typical attendance reaching into the thousands for each show, franchisors are guaranteed high visibility. "The question is, will the trade show hit the target audience you want to reach?" says Warren Lewis, the franchise lawyer.

Trade shows are not inexpensive; space for a booth can run as high as $10,000. Lewis maintains, however, that for small franchise companies, "it is particularly important . . . to be seen at these shows because they just need to be out there marketing everywhere."

Michael Hart, director of franchising for Laserquick, a printing and copier franchise based in Wilsonville, Ore., says, "It is a different kind of selling, and it is an intriguing way to reach a lot of people." Hart recently exhibited at the annual International Franchise Expo in Washington. More than 20,000 visited the show over three days.

> "The name of the game is planning ahead."
>
> —Rhonda Sanderson, Franchise Public Relations Specialist

Laserquick currently has 30 domestic franchises scattered throughout the United States, and Hart says he decided to try a national trade show because "regional advertising didn't have the effectiveness that I expected."

For Keith Emerson, vice president of franchise development for Linda's Flame Roasted Chicken, in Cranford, N.J., a trade show is the preferred way of reaching the most prospects. "What the shows do is shorten the cycle because you are able to share your enthusiasm with the prospect as opposed to communicating it on a flat page with black ink," he says.

Emerson, who has participated in more than 80 trade shows over the past 10 years in his role as a franchise development executive for several franchise companies, acknowledges that this form of recruitment is physically grueling, and he cautions franchisors about overload. "It is not possible to do more than six shows a year," he says; if you do more, he has found, "you can't give adequate attention to processing the leads."

Following up on leads developed at trade shows has become more sophisticated over the past decade. Emerson remembers the time-intensive task of contacting everyone who stopped by his booth or answered an ad. "Back then it meant months of work to qualify a blind lead," he says. Today, Emerson and other franchisors prequalify their prospects at the trade show itself. A prospective franchisee's skills, financial

strengths, geographic preferences, and interest level are entered into a laptop computer at the booth. Recruitment-management software is then used to help identify promising candidates. "We are able to have a follow-up letter in the mail two days after the show," says Emerson.

Most franchisors want to do as much prequalifying as possible before investing time and money in a prospect. "It takes us 60 to 90 days to find one qualified lead," says David Liberman, president of the Phoenix-based Pull-Out Shelf Co., which installs pull-out shelves in kitchen cabinets.

PHOTO: BRENT KELLER

Kitchen shelving franchisor *David Liberman, based in Phoenix, says it takes him 60 to 90 days to find one qualified franchisor.*

Liberman is positioning his company as an add-on to existing home-service franchise companies, and he believes his approach of seeking franchisees who are already involved in home-service franchising is an excellent way to screen candidates. "That is a built-in prequalification," he says, "because we are piggy-backing our concept onto franchisees who are already successful in the home-service field." The company currently has six franchisees.

John Jones says a prospective Deck The Walls franchisee goes through a battery of interviews, on-site visits, background checks, real-estate meetings, and interviews before the approval process begins. All told, the recruitment effort takes up to 90 days to complete. "We know what we want, and the process just takes time," says Jones.

David Friedrich, chief executive officer of Advantage Payroll Systems Inc., in Auburn, Maine, takes another approach. "We don't do any of the traditional marketing, like advertising or trade shows," he says. "We depend on word-of-mouth from our existing franchisees and the efforts of our public-relations firm."

The payroll-services franchise receives an average of two unsolicited inquiries a day, according to Friedrich. "We turn down 95 percent of them at face value," he says, "because they have no payroll experience." Friedrich, who has been franchising for 10 years and has 34 franchisees, wants to keep his system small and manageable. The company's goal is to add one or two franchisees a year.

Calvin Haskell's company, Franchise Solutions, specializes in generating franchisee leads. The firm, based in Portsmouth, N.H., interviews by phone prospective franchisees who respond to its ads.

"We sort each caller by skills, interests, business background, geographic location, financial strength, sales and marketing skills, and other criteria desired by the franchisor," says Haskell, the company's president. Software categorizes the data according to a client franchisor's needs. "What we end up delivering to the franchisor is a list of people who meet specific criteria," he says.

Continued On Page 62

Let The Franchisor Beware

The formula seems simple: The more franchises you sell, the faster your company grows, and the more profits you make. One franchisor, requesting anonymity, said in an interview with *Nation's Business* that when he started to franchise his business in the mid-1980s, "we took anyone who would write a check for the franchise fee." A decade later he says that was a big mistake. In his eagerness to expand rapidly, he says, "we signed on franchisees who were totally unqualified and are failing, in spite of our ongoing investment of training and field support."

According to Chicago-based franchise lawyer Pamela Mills, the excitement of selling franchises to new franchisees and the prospect of rapid system expansion should be moderated by taking the following steps:

Establish firm standards, then stick to them. Take a hard look at your top-producing franchisees and the characteristics that make them successful. Typically, you should decide how financially strong your top franchisees were when they started. Also, determine the individual personality types that do well in your system. Figure out whether personality skills are essential or irrelevant to your franchise. Also, decide if education and prior business experience are important for the success of your franchise.

> **Consider candidates "as people with whom you will closely interact for the next 10 to 20 years."**
>
> —Pamela Mills, Franchise Lawyer

Have sensible geographical expansion plans. Feed your bottom line, not your ego. In other words, do not expand into regions you cannot support from your headquarters. Even though it might sound good to say you are located in all 50 states, if you are unable to service your franchisees properly, your profits might be adversely affected.

Eye franchisee applications critically. Applicants should furnish information on their financial background, prior business experience, personal interests, credit history, litigation background, and skills.

Provide federally required disclosure. To conform with the Federal Trade Commission's franchising rule, a franchisor must provide the franchisee with the uniform franchise offering circular, or UFOC, 10 business days before taking any money or executing any documents. The UFOC is the document that gives serious potential franchisees information on a franchisor's financial history as well as data on the cost of starting and maintaining the business.

Provide state-required disclosure as well. States may require additional disclosure documents if a franchise is located within state boundaries, if the franchisee prospect is a resident, or if the sales activity is conducted within state boundaries. Before you close on a deal, have the prospect acknowledge in writing that he or she has received the required documents.

Know about regulations governing advertising. A lawyer can provide help. Some states require that all advertising for use in recruiting franchisees be filed with the state for comment. This can mean *all* advertising: brochures, handouts, price lists, copies of magazine articles, recorded telephone messages, videotape scripts, and testimonials from existing franchisees. If you become involved in litigation with the prospective franchisee, it is likely that all of this material will be shown in court. Franchisee suits almost always contain claims of breach of contract and fraud. Be able to justify anything you have given or referred to the franchisee.

The do's and don'ts of earnings claims. Your prospect's first question will be, "How much money can I make?" Watch your response. An earnings claim is any representation of actual or potential sales, profits, or earnings made before the franchise is sold. Some states even take the position that a word like "success'" is an earnings claim. Earnings claims may be made only in the offering circular, with appropriate substantiation. Another area to watch out for is asking prospects to complete a business plan as a way to qualify. Mills says giving prospective franchisees information needed to write the business plan may place you in the position of making earnings claims.

Unhappy franchisees *can lead to litigation and disrupted business, says Chicago franchise lawyer Pamela Mills.*

PHOTO: ©JOHN ZICH

Expanding your business through franchising can result in significant market penetration for your company within several years, but your growth strategy must reflect your ability to support new franchisees.

"Consider your prospective franchisees as people with whom you will closely interact for the next 10 to 20 years," says Pamela Mills.

Under those circumstances, the franchise lawyer says, "doesn't it make sense to take the time to make the best possible choices for your future franchisees?"

FRANCHISING

Continued From Page 59

Some smaller franchise companies unable to spend much to attract new franchisees might experience the best return on their marketing dollars by using on-site promotion, such as posters, signs, napkins, grand-opening events, and counter cards.

"The purpose is to promote the location of the franchise along with letting your customers know that franchises are available," says Warren Lewis, the franchise lawyer.

This approach, he explains, also aids in prequalifying the prospective franchisees. "A customer already is familiar with your product and service and likes it, and that is a first step towards a good potential franchisee."

Finding the right recruiting device that attracts qualified prospects is a trial-and-error experience, says John Jones of Deck The Walls.

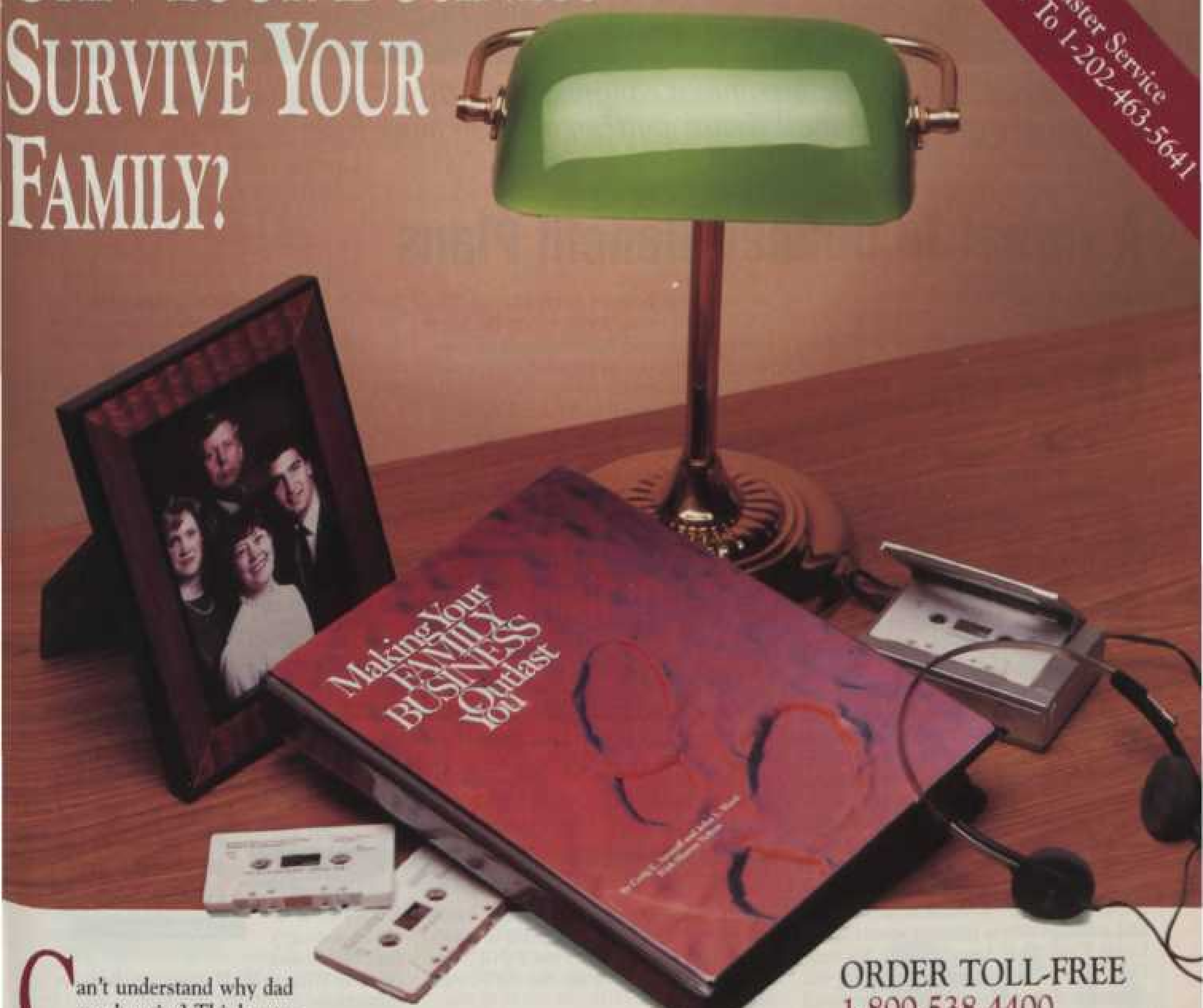
"Like most franchisors, we really struggled to find the silver bullet, and there just isn't one," he says. "It takes time, money, and a willingness to try all of the available lead-generating methods to arrive at the best mix for your needs." NB

PHOTO: DEAN ABRAMSON

Word-of-mouth *and a public-relations firm provide franchisee leads for David Friedrich, right, of Advantage Payroll Services. With him is Charles Glavin, the company's first franchisee.*

CAN YOUR BUSINESS SURVIVE YOUR FAMILY?

For Faster Service
Fax Order To 1-202-463-5641



Can't understand why dad won't retire? Think your kids could never run the company? Worried how the family business will survive?

"Making Your Family Business Outlast You" can help ensure that your business is passed on successfully to the next generation.

Developed by three of the country's leading family business authorities, the six-cassette audio program and "how-to" workbook gives you insights and techniques on:

- Communicating Your Family Business Vision
- Understanding Your Family and Managing Family Conflicts
- Managing Your Family Business
- Raising Your Children For Leadership
- Preparing and Implementing A Succession Plan
- Finding and Using Advisers and Directors

Half of all family businesses risk failure because they don't have a succession plan—don't let yours become one of them!

Nation'sBusiness

ORDER TOLL-FREE
1-800-538-4400

Send to: Nation's Business, Circulation Dept.
1615 H Street, N.W.
Washington, D.C. 20062-2000

Send me:
"Making Your Family Business Outlast You"
❑ Enclosed is my check for $99.00
❑ Bill my credit card: ❑ AE ❑ MC ❑ VISA

Card # ______________ Exp. ________

Signature ______________________

Name ______________________

Company ______________________

Address ______________________

City ____________ State ______ Zip ______

CA and D.C. residents add appropriate sales tax. NB0695

Circle No. 44 on Reader Service Card

Small Business Financial Adviser

A useful pension vehicle becomes a congressional target; a new source of venture capital for small firms; putting a lid on bank fees.

A Threat To Defined-Benefit Plans

By Mary Rowland

A last-minute addition to the implementing legislation for the General Agreement on Tariffs and Trade, passed in December, could kill defined-benefit pension plans for tiny businesses at just the time they are most needed, according to some small-business consultants.

A defined-benefit plan, which specifies the amount of the benefit that can be received at retirement rather than the amount of annual contribution, allows larger annual contributions than any other type of plan. For that reason, it is the best pension vehicle for small-business owners who get a late start in tucking away money for retirement. That includes many highly paid professionals and hundreds of thousands of former employees who have started their own companies or have become contract workers over the past decade.

The pension law changes attached to the GATT legislation will make defined-benefit plans impractical for the tiny businesses that would make the most use of them, says Bruce J. Temkin, an actuary and small-business pension specialist at Louis Kravitz & Associates in Encino, Calif. "For all intents and purposes, it will eliminate defined-benefit plans for small businesses," says Temkin, who is also a director of the Small-Business Council of America, based in Bethesda, Md.

While a trade bill is an unlikely place to find pension legislation, Congress included the pension changes to raise about $1.75 billion in revenue lost over five years because of a lowering of import tariffs called for by the GATT.

In addition, the Clinton administration advocated the changes as a way to improve the financial standing of many large, underfunded pension plans and to shore up the long-term health of the Pension Benefit Guaranty Corp. (PBGC), the federal agency that must bail out insolvent pension plans.

The same provisions that help large companies hurt small ones. The most controversial provision concerns lump-sum payouts from defined-benefit plans. The GATT changes will both reduce the lump sum—good for big businesses—and make planning for it nearly impossible for small firms, Temkin says.

Upon retirement, most small-business owners take a lump-sum payout because retirement terminates the pension plan. The lump sum is then rolled over into an individual retirement account or other type of tax-sheltered investment.

Building The Nest Egg

The sum required to fund the maximum annual benefit, according to various retirement ages and interest-rate assumptions

Age	5%	8%	10%	12%
55	$ 849,807	$ 640,563	$547,143	$476,573
60	$1,084,586	$ 840,062	$726,847	$639,354
62	$1,195,760	$ 936,800	$815,040	$720,080
65	$1,384,100	$1,103,500	$968,600	$861,800

Current maximum monthly benefit permitted under law, by retirement age

Age	Benefit
55	$ 4,935
60	$ 6,933
62	$ 8,000
65	$10,000

SOURCE: BRUCE TEMKIN

Before the legislative change, lump sums were calculated according to an interest rate published by the PBGC. For example, in January 1995, the PBGC rate was 6 percent.

Under the new law, the lump sum for executives or business owners who earn the maximum benefit, currently $120,000 a year, must be calculated using the yield on the 30-year Treasury bond, currently about 7.4 percent. (Employers are also permitted to use the Treasury bond interest rate to calculate lump-sum distributions for lower-paid workers. But it is only at the maximum benefit level that the Treasury bond interest rate is required.)

Congress mandated use of the PBGC rate in 1984 to eliminate what it considered to be unfairly high interest rates used by many employers to calculate lump-sum pension distributions. In the early 1980s, some companies used rates as high as 15 percent. Employees complained that they could never earn that much on their money. So Congress directed employers to use a rate no higher than 120 percent of the rate compiled by the PBGC. That produced a rate that was lower than long-term interest rates and, consequently, provided higher lump sums.

Many large employers and consultants welcome use of the Treasury bond interest rates because they argue that the PBGC interest rate was too low. "This enables plan sponsors to take away that windfall that was depleting pension assets," says Ethan E. Kra, chief actuary for retirement plans at William M. Mercer Inc., benefits consultants.

But for small employers, the higher Treasury bond rate means an unwelcome cut in the lump sum that may be derived from a pension plan upon retirement. The new law also makes pension planning perilous because the interest rate on Treasury bonds rises and falls with far more volatility than the old PBGC interest calculation, Temkin says.

"It is similar to taking out a variable-rate mortgage with no cap," Temkin says. "Picture yourself at age 60, getting ready to retire and expecting a lump-sum distribution of $900,000, but being told that you can only take $600,000 because the rate has just changed [upward]." The remaining $300,000 in the plan could be wiped out by taxes. The federal government imposes a 50 percent penalty on excess money in a plan. And the entire $300,000

would be subject to state and local taxes.

With a defined-benefit plan, an actuary must calculate each year how much to contribute to the defined-benefit plan to arrive at the targeted benefit at retirement time. If a 5 percent interest-rate assumption is used, a 65-year-old would need a lump sum of $1.38 million to fund the maximum benefit, Temkin says. A 10 percent rate would cut that to $968,600. (See the chart on Page 64.)

But if the Treasury bond rate rises 2 percentage points in the year before retirement—to 10 percent from 8 percent—the higher rate would shrink the size of a lump-sum payout by $135,000.

As noted in an earlier column (December 1994), the appeal of defined-benefit pension plans to small-business owners is twofold. First, these plans are the only retirement plans that allow contributions for years of service put in before the plan was set up. They also allow older participants to contribute a great deal more because they have less time to accumulate money for retirement.

"The perfect candidate is a middle-aged professional with a much younger staff who is getting a late start on retirement planning," says Bill Mischell, managing director at Foster Higgins, benefits consultants in Princeton, N.J.

A defined-benefit plan is funded entirely by the employer. It provides retirement payments based on a formula that is typically a percentage of final pay times years of service. For example, if the formula calls for 1.5 percent of pay, an employee with 20 years of service who is earning $100,000 at retirement might earn $30,000 a year for life, or an annuity of $30,000. If the employer chooses to offer a lump sum rather than the $30,000 a year for life, the lump sum must be calculated based on an interest-rate assumption and mortality table that would produce that payout.

Employees at most larger firms will see no change from the new legislation. "Nothing in the law forces an employer to reduce lump sums for the bulk of people in the plan," Kra says. "It permits them to do it—but does not force them to do it."

However, many small-company owners and executives establish defined-benefit plans to achieve the maximum annual payout, currently $120,000 a year. The new Treasury bond interest rate must be used to calculate their lump-sum payouts.

Those hit hardest are chiefly one-person businesses or businesses with an older owner and perhaps one or two younger employees. "The overall effect may not be large," says Jerry Carnegie, an actuary in the Rowayton, Conn., office of Hewitt Associates, benefits consultants. "But if it's your little company, just you and your secretary, it's going to be a big deal to you, and you're not going to like it."

Temkin says he does not think members of Congress realized how devastating the new law would be to small businesses. Further, he believes that the new Congress is more sympathetic to small business than the previous Congress and that there is some possibility for revision.

"If we take a look at the history of pension legislation, small business has not done well," he says. "But if I go into [House Ways and Means Committee Chairman] Bill Archer's office now, there is much more sympathy to small business. Perhaps there is something that can be done." ■

VENTURE FINANCING

New Equity Capital Available To Small Firms

Cash-starved growth companies seeking venture capital can now tap into a new pool of funds made available through participating small-business investment companies (SBICs).

The SBIC program, established by the federal government in 1958, is made up of private investment companies that provide venture financing and management assistance to small companies.

Under a new program, $345 million in government-backed equity financing will be made available to small businesses in fiscal 1995. Participating SBICs are raising the new funds to invest in small firms by issuing securities backed by the Small Business Administration and sold on the bond market.

The proceeds from the sale of the new securities will go to SBICs, which will then buy stock in small businesses in exchange for ownership roles in the companies. SBICs are prohibited, however, from taking control of the firms in which they invest. Eventually, when the companies are sold or go public, the SBICs and the SBA will receive a return on the initial investment.

"The new program is going to enhance the flow of equity capital to small businesses and will help more of them grow from small to large companies," says Raymond Rafferty Jr., general partner in Meridian Venture Partners, an SBIC in Radnor, Pa.

The Small Business Equity Enhancement Act of 1992 established the new program. It took more than two years to implement because regulations had to be issued and participating SBICs licensed. So far, 24 of the 276 SBICs nationwide are licensed for the program. More are expected to win approval in the future, assuming federal funding of SBA programs continues.

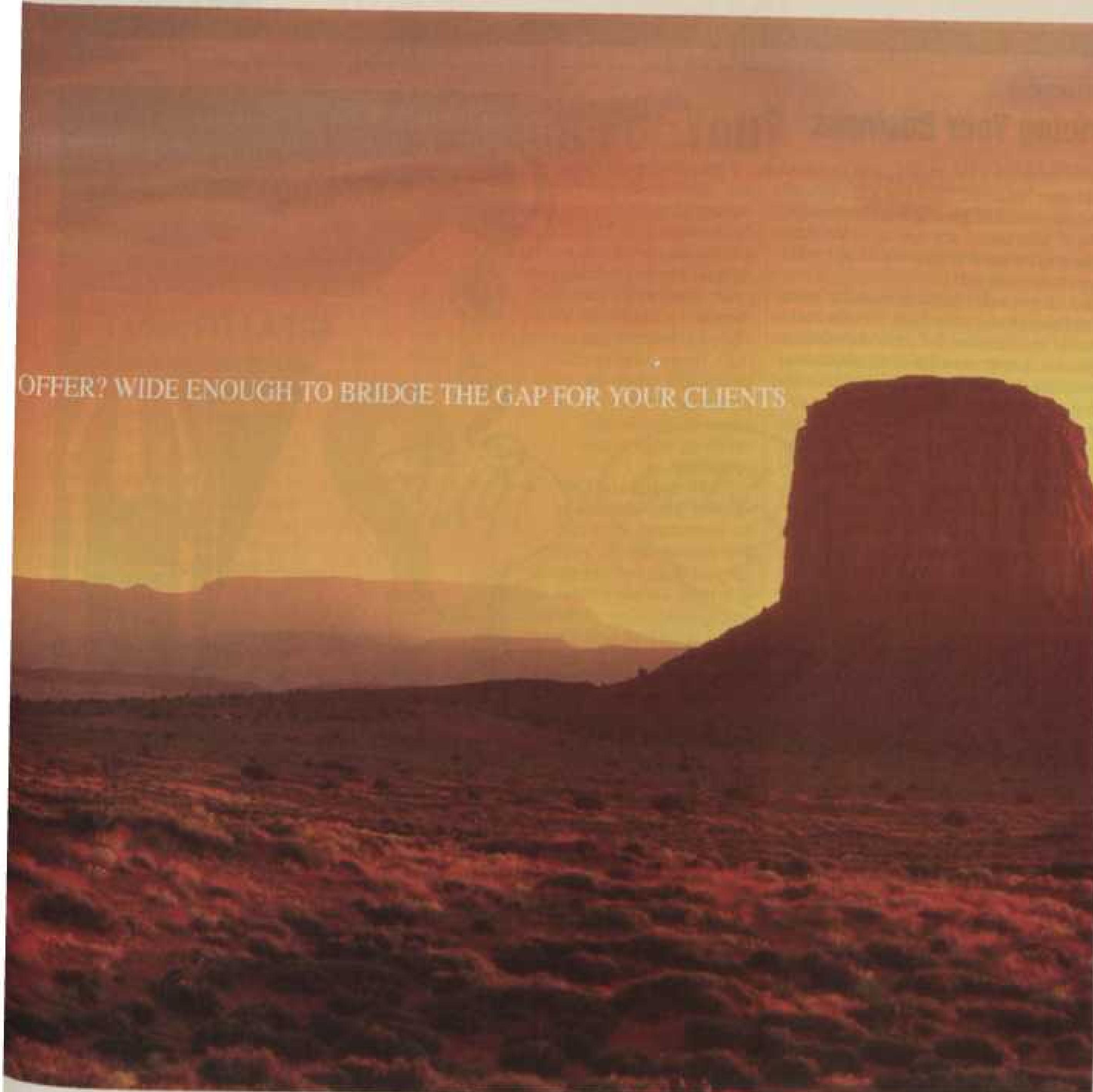
Investors in these new instruments receive quarterly interest payments and the return of their principal when the securities reach maturity. The interest rate on these securities is tied to a 10-year Treasury note, and during the first sale, last Feb. 22, they were auctioned at a rate of 8.2 percent.

The SBA assumes responsibility for paying the securities' dividends until the SBIC is profitable enough to repay the agency and begin making dividend payments itself.

SBICs provide capital to a wide range of small companies that have potential for rapid growth and market expansion. Business owners seeking financing must approach individual SBICs.

For the SBIC nearest you, call the SBA at (202) 205-7589 and ask for a current directory of operating SBICs. There is no charge for the directory.

—Joan C. Szabo



helping your clients reach their financial goals — while avoiding financial pitfalls.

Wide open spaces belong in nature, but not in a client's investment portfolio. Cover all the gaps with a complete line of proven products from Connecticut Mutual. Call 1-800-234-5606, ext. 8426 or 8477 for prospectuses which include more complete information, including charges and expenses. Have your clients read these carefully before investing.

National Distributor:
G.R. Phelps & Co., Inc. A subsidiary of

Connecticut Mutual
The Blue Chip Company®

annuities to identify the "Best" and "Worst Performing Contracts". Ratings were based on the proportion of the subaccounts in the contracts with above average performance for the three year period ending December 30, 1994. To qualify, subaccounts had to be in existence for at least three years. Past performance is not indicative of future results. Investment return and principal will fluctuate with changes in market conditions.

VALUATION

Pricing Your Business

You've invested time, money, and sweat to build your business. Now you want to cash in on the fruits of your labor. Presumably most of your assets are tied up in the company, so you want to be sure to get what your business is worth.

Before you take the leap, consider using a professional consultant to eliminate some of the hassles and provide valuable expertise. Investment bankers, acquisition specialists, and business brokers not only bring prospective buyers to the table and structure the deal but also protect your confidentiality and help arrange financing.

Be prepared to pay a fixed fee, an hourly rate, or a percentage of the sales price—typically 10 percent—for their services.

To determine a company's worth, consultants recommend focusing on three issues: the location of the business; the replacement value of the equipment, fixtures, and furniture; and a cash analysis.

John Urban of Action Business Brokers, in White Plains, N.Y., applies a multiplier to a company's net profit to arrive at a price. A service business, he says, typically sells for twice its earnings, compared with 1.5 times earnings for a retail operation. (A service business is generally priced higher because the new owner can get started without having to acquire much inventory.) "We also factor in the rent, the location, length of the lease, and what comparable businesses have sold for," he says.

For do-it-yourselfers, here's how pricing a business works:

First, determine the net worth of your business by placing a dollar value on tangible assets minus liabilities. Then calculate your company's net income—the difference between earnings over several years and your expenses, including the costs of goods and services, wages, and operations.

Next, estimate the value of your business as an investment. This number represents the return on your adjusted net worth if it were to be invested in something else of comparable risk at prevailing interest rates.

Finally, calculate your company's excess earning power—net income minus earning power, which is the worth of your investment plus your salary as the owner. All three of these calculations produce a net base value of the business's tangible assets.

Although it's hard to put a price on intangibles such as trademarks, patents, and goodwill, one way is to multiply the excess earning power by a factor of 3, the experts say. By adding this to your net base value, you have a price tag for your business.

—*Joan Delaney*

The author is a free-lance writer in Larchmont, N.Y.

FINANCE

Saving Money On Bank Fees

Take a look at the fees your bank is charging for such services as checking, returned deposits (when you try to deposit a check from someone who has insufficient funds), automated teller machines, change orders (when you need rolls of coins and packets of small-denomination bills), balance inquiries, overdrafts, and late loan payments.

In many parts of the country, banks are adding new fees and increasing old ones. Individual fees for commercial accounts may seem relatively small, but they can add up fast. Here are some examples of fees charged by banks around the country:

- Checking account: $10 per month.
- ATM use: 75 cents to $1.50 for each withdrawal from another organization's machines.
- Balance inquiries by phone: $1 per call.
- Returned deposits: $3 to $5 each.
- Night depository service: $1 per use.
- Overdrafts: $25 per item.
- Twenty rolls of coins and four packets of bills: $4.

Although federal law requires banks to have a printed fee schedule available for the asking (pick up a copy—it can make interesting reading), the government has nothing to do with setting the rates. "We can charge, or not charge, whatever we want, because fees are not regulated," says H.L. Ward, executive vice president of Maryland-based Allegiance Bank.

Some banks are pushing fees as profit centers. Others are increasing fee charges to help offset the rise in the interest they have to pay on certificates of deposit and other savings accounts.

"If you find any combination of fees on your next statement," says financial consultant Edward Mrkvicka Jr., "talk to an officer or branch manager to see if you can have them removed—everything is negotiable."

Says William Gossett, president of Liberty National Bank, in Longwood, Fla.: "There's a lot of competition for small-business accounts out there, and we don't want to lose a good customer over an overdraft fee or some other fee that's less than the price of a lunch."

—*Peter Weaver*

INVESTING

Is A Wrap Account Right For You?

By Randy Myers

Wrap accounts sound simple and appealing. For a flat rate, an investment professional will invest your money for you and keep you apprised of the results. No separate commission charges. No separate adviser fees. No fuss. All the costs are "wrapped" into a single fee equal to a percentage of your assets under management.

Plenty of investors like the idea. From the end of 1992 to the end of 1994, assets in such programs grew to $116.8 million from $82.4 million, according to Cerulli Associates, a Boston-based management consulting firm. Largely the province of big brokerage houses since they were first offered in the early 1970s, wrap accounts are now also sold by many banks, mutual-fund operators, and regional brokerage firms. The increased competition is helping to drive down the cost of such accounts.

Nonetheless, these accounts aren't popular with some investment experts, primarily because the costs can still be high. Maximum annual fees run as high as 3 percent of the account's assets. At that price, warns mutual-fund guru John Bogle in his book *Bogle on Mutual Funds*, wrap accounts can make it difficult for investors to outperform the market over the long term.

Deciding whether a wrap account makes sense for you starts with understanding what products or services it will provide, deciding if you need them, and determining whether you can get them elsewhere for a lower cost.

Broadly speaking, wrap accounts fall into two categories: traditional, or consultant, wraps, in which money is placed with various private money managers, and mutual-fund wraps, which funnel money into mutual funds.

Details vary from provider to provider, but most offer these services: consultation with a broker or investment adviser to help you plan your investment strategy; selection of the managers who will invest your money (or the mutual funds into which your money will be placed); ongoing management of your portfolio in line with your investment objectives (buying and selling stocks, bonds, mutual funds, or other financial instruments); and regular reporting on the status of your account.

If you need those services, one way to get them is through these prepackaged programs. But don't gloss over their costs. "When the rate was 3 percent, I would say everybody was paying too much," says Martin Jaffe, president of the International Association for Financial Planning, a professional group based in New York. "Lately, there's been a lot of discounting going on, though, so many people are probably paying a fair amount."

Mary McAvity, a financial consultant with Cerulli Associates in Boston, says most traditional wrap sponsors (as opposed to mutual-fund wrap sponsors) are now "very open to negotiation" and are sometimes willing to take as much as 40 percent off their standard rates. That would pare a 3 percent fee to 1.8 percent. The industry average, she says, is about 2.3 percent.

Fees for mutual-fund wraps are lower—about 1 to 1.25 percent of assets—although the operating expenses of the funds in which they invest can easily make your total cost equal to or greater than the cost of a traditional wrap account. And mutual-fund wrap fees usually aren't negotiable.

Keep in mind, however, that anybody can enjoy professional money management for less than any of those costs cited above simply by writing a check for a no-load (no sales fee) mutual fund. Many such funds have operating expenses as low as 1.25 percent, and some stock-index and bond funds have fees under 0.5 percent. "Why are you going to pay 3 percent?" Jaffe asks. "What are you going to get for that extra money? There are a lot of good things you might get and need, but if you don't get or need them, you shouldn't pay for them."

If, for instance, you already know you want to allocate 50 percent of your assets to a domestic growth-stock fund, 30 percent to an international stock fund, and 20 percent to a Treasury-bond fund—and you're comfortable with your ability to make that determination—there may be little reason to pay someone to make those allocations for you.

So who needs a wrap account? Industry experts say they're good for people who simply can't—or don't wish to—manage their own investments, just as some people can't or won't prepare their own tax returns.

Some small businesses have found mutual-fund wrap accounts convenient investment vehicles for the 401(k) retirement programs they offer their employees.

If you think a wrap sounds right for you, find a broker or financial adviser you trust and decide whether you want a traditional or a mutual-fund account. You typically need at least $100,000 to open a traditional wrap account, but you can open most mutual-fund wrap accounts with as little as $25,000.

Just remember that the more time you're willing to spend researching and monitoring your own investment portfolio, the less sense it makes to pay for a wrap account at all. NB

For a reprint of Small Business Financial Adviser, see Page 72. For a fax copy, see Page 46.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

REGULATION

Business Opportunities

I have attended several business-opportunity trade shows, and I wonder if the types of businesses that commonly participate in these shows are regulated. Can you help?
L.P., Atlanta

Business opportunities—known in some states as seller-assisted marketing plans—include most vending-machine routes, work-at-home enterprises, and grow- or assemble-your-own-product ventures.

Generally, the buyer purchases goods or services that enable him or her to start a business. The seller of a business opportunity might help a buyer find a sales outlet, or guarantee a certain level of profit, or provide a buyer with a marketing plan.

Some such ventures—not all—are covered by the Federal Trade Commission's Franchise and Business Opportunity Rule. A venture in which the buyer of a business opportunity sells to the public—a vending-machine route, for example—would generally fall under the FTC rule. A venture in

ILLUSTRATIONS: MARTHA VAUGHAN

which the buyer of the business opportunity does not sell to the public—such as an envelope-stuffing service—might not fall under the FTC rule.

Sellers of business opportunities covered by the FTC rule must provide a detailed disclosure document at least 10 business days before a business-opportunity buyer pays any money or legally commits himself to a purchase. The document should give information about the business, including names, addresses, and telephone numbers of other buyers of the business opportunity; a fully audited financial statement of the seller; the background and experience of the business's key executives; and the cost of starting and maintaining the business.

Business opportunities are also regulated by 24 states; sellers of business opportunities are required to register with state regulators in 19 states.

Andrew Caffey, a Washington, D.C.-area attorney who specializes in business-opportunity law, recommends that you check with your state consumer-protection agency or state attorney's office to see if an opportunity is registered.

For more information on business opportunities—for both buyers and sellers—send a request for information and a stamped, self-addressed envelope to the American Business Opportunity Institute Inc., c/o Andrew Caffey, 3 Bethesda Metro Center, Suite 700, Bethesda, Md. 20814. Or write to Public Reference, Federal Trade Commission, Washington, D.C. 20580. ■

FINANCING

The Lowdown On LowDoc

I have heard about a loan program available through the Small Business Administration that doesn't require a lot of paperwork. Can you give me more information?
P.Y., Indianapolis

The program is called LowDoc—for low documentation. It's part of the U.S. Small Business Administration's guaranteed-loan program for entrepreneurs. The LowDoc program not only minimizes the paperwork required to obtain a loan but also eliminates equity requirements.

The application for loans under $50,000 is a single page; applications for loans from $50,000 to $100,000 (LowDoc's upper limit) include the one-page form, the applicant's personal income-tax returns for the past three years, and personal financial statements from guarantors and co-owners of the business.

Previously, SBA-guaranteed loans required extensive paperwork by the applicant, the SBA often took 45 to 90 days to decide on an application, and the applicant typically had to raise at least one-third of the total business cost from other sources.

Under the LowDoc program, there are no predetermined equity or collateral requirements, and banks are allowed to make loans based on each applicant's credit history and character.

The SBA will cover up to 90 percent of a failed LowDoc loan.

For the names of certified LowDoc SBA lenders in your area, call the SBA's national help line at 1-800-827-5722 (1-800-8-ASK-SBA). ■

INSURANCE

Getting The Right Coverage

Is there a manual that can help me understand what kind of insurance I should have for my business?
U.R., Wichita, Kan.

Don Bury and Larry Heischman detail business insurance in their book *The Buyer's Guide to Business Insurance* (Oasis Press). Point-by-point explanations of coverage options and workers' compensation can help you determine the coverage you need before meeting with an insurance broker. Included is a resource directory that has claim forms, checklists, and work sheets. The book also tells how to handle claims and get good service.

"Typically, the issue of buying business insurance gets a priority somewhere below taxes but slightly above supply ordering," Bury says.

The 279-page paperback costs $19.95 and is available by calling 1-800-228-2275. Ask for the sales department and refer to ISBN No. 1-55571-162-6.

See also "Think Like A Risk Manager," on Page 30. ■

ENVIRONMENT

'Green' Printing

I run a midsize business that does a lot of printing and mailing to current and potential customers. How can I ensure that the printing is done in an environmentally friendly way?
D.D., Oklahoma City

Some printers have focused particular attention on the environment, according to Roger Telschow, president of Ecoprint, a printing company in Silver Spring, Md. "We now use tree-free, chlorine-free paper and soy-based inks without sacrificing quality," he says.

The company buys paper made of pulp from the kenaf plant, which grows in the South and West and produces five times more pulp per acre than trees. The result, Telschow says, is "a presentable paper without use of as many toxic chemicals in manufacturing as paper from trees."

Right now, expect to pay a premium for paper made of kenaf pulp. The plant is grown in relatively small amounts, although more and more of it is being cultivated every year.

Telschow also suggests that customers ask potential printing vendors if they stock recycled paper that has a post-consumer material content of 15 to 20 percent or more. Post-consumer material

refers to the content of the recycled product that has been used by consumers. That's the material that would otherwise end up in a landfill. Pre-consumer material, or post-industrial material, is routinely recycled during manufacturing. Draft federal procurement guidelines call for a post-consumer material content of at least 20 percent for selected uncoated printing and writing papers. Many states have similar paper procurement rules.

Customers might also ask vendors whether they keep current on the latest in paper- and ink-production technology, comply with federal and state environmental rules, and recover silver from photographic waste.

When you and your printer prepare your printed materials, Telschow suggests that you should:

- Use the lightest-weight paper possible and minimize packaging.
- Consider sending a document that doesn't require an envelope, such as a postcard or a one- or two-fold mailer.
- Explore using "two-way" envelopes of the type used by some motor-vehicle departments and other agencies.
- Use ink that has a vegetable-oil base and that contains less than 10 percent volatile organic compounds, or VOCs. They are petroleum-based compounds that pollute the lower atmosphere in much the same way as unburned hydrocarbons from car exhaust do.

For more information on environmentally friendly printing, call the Environmental Protection Agency's Resource Conservation and Recovery Act information hot line at 1-800-424-9346. ■

HOW TO ASK

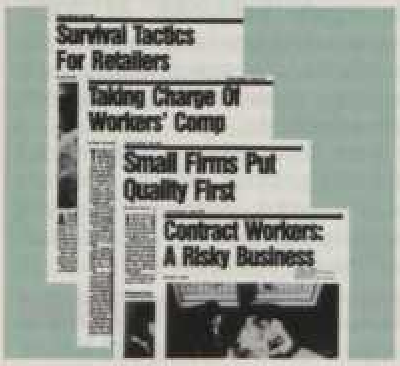
Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Questions are answered only in this section; those selected for publication may be condensed. Writers will be identified only by initials and city. NB

Nation's Business

NEW REPRINT PACKAGES!

Reprints Help You Control Your Company Benefits, Sales, and Profits!

NEW REPRINTS



***WELFARE REFORM: MAKING IT WORK** **#9062**
Ten incentives that employers need to help move people from public assistance to private payrolls. (Page 18)

***NURTURING DIVERSITY** **#9063**
Prepare to manage a rich mix of cultures among employees. (Page 25)

***THINK LIKE A RISK MANAGER** **#9064**
How to get the most from property and casualty insurance premiums. (Page 30)

***SMALL BUSINESS FINANCIAL ADVISER** **#9065**
Defined-benefit plans, valuation, capital, bank fees, wrap accounts. (Page 64)

SPECIAL REPRINT PACKAGES

Six Reprints For The Price Of Five! Save 20% On Special Reprint Packages!

BUYING SMALL-BUSINESS INSURANCE (#9004) **($9.95)**
- Key People, Key Protection (#8938)
- Business Insurance Will Cost You More (#8963)
- Carriers Rediscover Small Business (#8982)
- Prepare For The Worst (#8972)
- Insurance Trends Break The Cycle (#8905)
- Business Lessons From A Disaster (#8948)

RAISING CAPITAL FOR SMALL FIRMS (#9005) **($9.95)**
- Creative Ways To Raise Capital (#8929)
- Helping Small Firms Borrow Money (#8874)
- Smart Ways To Manage Cash (#8901)
- Seed Funds For The Smallest Start-Ups (#8918)
- Alternative Ways To Find Capital (#8885)
- Cashing In On 504 Loans (#8986)

NEW MANAGEMENT STRATEGIES FOR SMALL BUSINESS (#9006) **($9.95)**
- Contract Workers: A Risky Business (#8967)
- Combating Business Crime (#8996)
- A Flexible Style Of Management (#8983)
- Re-engineering Your Company (#8992)
- Leasing Workers (#8919)
- Managing From A Distance/Telecommuting (#8934)

QUALITY CUSTOMER SERVICE (#9007) **($9.95)**
- Survival Tactics For Retailers (#8960)
- What Do Customers Think Of Your Firm? (#8942)
- Where Quality Is A Language (#8930)
- Your Secretary's Pivotal Influence (#8973)
- Call It "Supplier Satisfaction" (#9011)
- When "Just In Time" Just Isn't Enough (#8920)

CURBING WORKERS' COMP COSTS (#9008) **($9.95)**
- Taking Charge Of Workers' Comp (#8976)
- Fighting The High Cost Of Workers' Comp (#8783)
- Controlling Wrist And Back Injuries (#9027)
- Health Reform Aims At Workers' Comp (#8959)
- Workers' Comp Costs Out Of Control (#8895)
- Helping Injured Workers Heal (#9013)

TOTAL QUALITY MANAGEMENT FOR SMALL BUSINESS (#9009) **($9.95)**
- The Power Of Employee Empowerment (#8962)
- Quality Standards That Can Open Doors (#8920)
- How To Get Your TQM Training On Track (#8917)
- Small Firms Put Quality First (#8888)
- Turn Your Workers Into A Team (#8896)
- Creator Of Quality Habits/Stephen R. Covey (#9015)

NOTE: Individual reprints may be selected from Special Reprint Packages at the single reprint rates listed on the order form. Individual reprints are in black and white only. Color reprints may be special-ordered.

**Can't wait? For immediate service via fax, see Page 46.*

Nation's Business Order Form

Send to: Reprint Manager, 1615 H Street, N.W., Washington D.C. 20062-2000

ORDER TOLL-FREE 1-800-692-4000
OR FAX 1-202-463-5641

Method of Payment
- ☐ Bill me ($9.95 Minimum)
- ☐ Check or money order enclosed
- ☐ Bill my credit card ($9.95 Minimum)
- ☐ VISA ☐ MasterCard ☐ American Express

Card # ________
Exp. Date ________
Signature ________
Name ________
Address ________
City ________
State ________ ZIP ________

QTY	REPRINT NAME AND NUMBER	UNIT PRICE	TOTAL PRICE

REPRINT RATES

Single Reprint Rates

1 To 9 Copies	$1.99 ea.
10 To 29 Copies	$1.49 ea.
30 To 99 Copies	$1.19 ea.
100 To 999 Copies	$.99 ea.

Reprint Packages: $9.95

SUBTOTAL	
CA & D.C. SALES TAX	
SHIPPING	F R E E
TOTAL	

NB0695

Your Order Is 100% SATISFACTION GUARANTEED

Get The Fax

Pick up your phone.

Dial toll-free 800-597-7363.

Punch in the three-digit code for the advertiser information you select.

Enter your fax number.

Almost before you have time to hang up, your fax machine will be receiving the data you requested.

It's that simple and quick.

Nation's Business is your small-business adviser.

24 hours a day, seven days a week.

890 • MassMutual

Practical, authoritative booklet on family business succession planning basics...with insights on the financial and personal decisions that can help keep your family business where it belongs — in the family. Call today.

863 • Protect Your Personal Belongings & Assets

If your company is ever audited by the IRS, you could lose personal possessions. The Complete Book of Corporate Forms (print and disk) protects you while saving time/money. Free sample.

880 • Cessna

Call us now for details on how your company can get into a fast, efficient CitationJet — the truly cost-effective alternative to the slow speeds of propeller-driven aircraft or the hassles of airline travel.

892 • Ascom Hasler Mailing Systems

Start saving money in your firm's mail processing with efficient, economical, attractively priced mailing systems. Learn how our new postal and shipping scales will put more smarts in your mailroom. Punch 892 for more information.

860 • IBM Software Support For Personal Systems

IBM's award-winning support for Personal Systems can help enhance your productivity with Desktop Systems. Simply select the services that best meet your business needs. 24-hour telephone/electronic access to technical specialists — and much more.

858 • Royal Copystar

Copystar and Royal Copystar compact, desktop and high-volume systems are supported by a nationwide network of skilled sales and service personnel. From the world's third-largest copier manufacturer. Call today.

861 • Budget Rent-A-Car CorpRate® Program

Start saving money today with the Budget CorpRate® program designed to manage company travel efficiently. Our multi-tiered pricing structure enables customers to design programs that meet their specific rental needs.

862 • National Motorcoach Network

Looking for quality ground transportation? Call the experts, the National Motorcoach Network, serving 100s of cities in 44 states with over 2,000 modern motorcoaches. Call today for your free Network Directory and Pre-Booking Checklist.

881 • American Life Insurance

Help your employees provide for their future with an American Life 401(k) Pension Plan. Fourteen investment options; unlimited allocations; no commissions, transfer charges or withdrawal fees.

864 • Quotesmith Corporation

Provides free insurance price comparisons for consumers and business owners on rates and coverages of 400+ leading insurance companies. Reports for individual term life, tax-deferred annuities, medical, long-term care and Medicare supplement.

859 • IBM Support Family Of Services

For software support of networking, midrange and large IBM systems, rely on the IBM Support Family of Services. Our technical support is easy to use and helps you maximize the full potential of your system. Satisfaction guaranteed or your money back. Call today.

872 • IBM PC Server

You should choose a network server as if your business depended upon it. Because it does. That's why IBM built an affordable yet reliable PC Server for small business. Call for more information.

865 • MarketFAX

If you are requesting information from any of the advertisers on this page — you are using interactive fax technology or fax on demand. Is this exciting technology right for your business? Find out — call today.

867 • Connecticut Mutual

From The Blue Chip Company: Panorama®* Variable Annuity. Connecticut Mutual's tax-deferred retirement vehicle continues to impress the country's most knowledgeable independent sources. Call today. (*National Distributor: G.R. Phelps & Co., Inc., a subsidiary of Connecticut Mutual.)

887 • The Blue Chip Enterprise Initiative Award

Call for a free application kit and guidelines to help you participate in this nationally recognized small-business award and information-sharing program. Benefits to businesses selected include publicity support and coverage in the Initiative's case history book and video library.

868 • Pitney Bowes

Considering the recent postal rate increase, it's important to keep mail processing cost-efficient. Call and discover how you can avoid "over-posting" expenses with our postal meters and scales.

Nation's Business
The Small Business Adviser

Nation's Business Classified Ads

CLASSIFIED RATES AND INFORMATION

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) Fax: 202-463-3102 or write Nation's Business Classified, PO Box 1200, Washington, DC 20013. Closing date for advertising is five weeks preceding date of issue. Rates are based on frequency.

AUTOMOTIVE

CORVETTES '53-'93. Well over 100 in one location. Free Catalog. ProTeam, Box 606, Napoleon, OH 43545. Ph. 419-592-5086 FAX: 419-592-4242. Corvettes Wanted.

BUILDINGS

STEEL BUILDINGS: From HERITAGE: delivered to your jobsite ready to bolt together. 5000 sizes, build it yourself and SAVE. Call with your building size. 1-800-643-5555. Heritage Building Systems, POB 470, N. Little Rock, AR 72115-0470.

FACTORY DIRECT, TOP QUALITY, STEEL BUILDINGS & SAVE COMMERCIAL, FARM ETC., EASY CONSTRUCTION, COMPUTER DESIGNED, GUARANTEED. FOR QUOTE - 1-800-494-2323

ARE YOU COVERED !!!

SAVE UP TO 45%

The Perfect Building While Supplies Last !!!

Buy factory Direct: 25 X 42 • 30 X 68

Build it yourself !!! 40 X 124 • 50 X 180

CALL TODAY

800-888-4606

STEELMASTER

BUSINESS FINANCING

ACCOUNTS RECEIVABLE FINANCING to $1,000,000. Direct lender with offices nationwide. Call AeroFund Financial. Approvals by phone. 1-800-747-4AFI(4234).

BILLIONS OF DOLLARS AVAILABLE!
FREE GOVERNMENT GRANTS, LOANS AND MORE.
CALL (24 HRS): 1-(619) 599-3502

FINANCIAL CORPORATION EXPANDING NATIONWIDE-BRANCH opportunity. Experience unnecessary. Mortgage Brokerage, Property Acquisitions. Representatives needed. 1-800-989-0151.

SMALL BUSINESS Government LOANS Available Nationwide! It's easy when you know how! Call NIC today, we've got the answers! 1-800-226-3601. Extension BF6560.

COMMERCIAL LOANS TO $200 MILLION
Construction, Refinancing, Acquisitions, SBA, Leasing "We Buy Seller financed Mortgage Notes & other Cash Flows."
NATIONAL BROKERAGE SERVICES 314-524-6667

BANKER BLOWOFF?

Tired of getting the runaround from bankers who aren't really lending? New database lists 1,000's of alternative lenders and investors who are **aggressively** financing higher risk business ventures.

FREE info FAXed, call 800-580-1188

BUSINESS FINANCING

Free Government Money! Small Business/Entrepreneur Grants. Billions Available! Any Purpose. Never Repay! Free Infopak. Grantsearch, Box 880663-NB6, San Diego, CA 92168

EQUIPMENT FINANCING * PHONE-A-LEASE * $5-$50,000 * NO FINANCIALS REQUIRED * PHONES/COMPUTERS/VOICE MAIL/FURNITURE * ADIRONDACK LEASING * 800-678-7342.

$4,000,000 INVESTOR (Engineer,MBA,Marketeer) seeks non-controlling, silent or active business opportunity in USA or Canada. Earn $5,000 finder's fee. 713-561-5334

LOOKING FOR CAPITAL?

TCN introduces fast growing companies to active investors based on mutual business interests. The process is selective, efficient and confidential.

The Capital Network
(512)794-9398

BUSINESS OPPORTUNITIES

MAKE EXTRA $375 weekly (sparetime) as Publisher's Local Agent. Carefree homebased business. Free Sample/Report: OwenPub/NB, Battle Ground, WA 98604-0010.

95-YR OLD NASDAQ FIRM seeking distributions for preventive health care. Unlimited professional training, support & education. Your Success is Guaranteed! 800-871-5662

ACQUIRE MY LIFETIME SELLING SECRETS. 1-900-226-SELL $9.95 for each week's new selling secret. 18+. Business Secrets Limited, Scottsdale, AZ 1-602-817-0069

MONEY MAKING MACHINE! Curbmate machine installs beautiful concrete lawn edging. Customers love this new product. Amazing profits from this simple cash business. 801-262-7509

CONSULTANTS: Conduct popular professional seminars. Nat'l. Qualification Training. Free info. Carlson Learning/Performax Field Mgr, Iris Randall 1-800-945-9140 NYC.

FREE 900#s! Get Your Own 900# Absolutely Free! Unlimited Income Potential. Call Now to Hear Free Amazing Recorded Info: 213-964-4534 Ext.3

MAKE GOOD HEALTH YOUR BUSINESS. Sell America's best vitamin values. Ethical Manufacturer of over 300 products. Exciting Marketing Opportunity 1-800-645-6567.

DISTRIBUTORS NEEDED - BIG PROFITS. Miniature satellite antennas for Homes, RV's, Business. Complete systems as low as $287. 1-800-886-5008.

CAPITALIZE ON CRIME! Earn amazing profits on full line of crime prevention products that sell like crazy! Free wholesale catalog. 800-735-1797, POB 10154, #NB, Yakima, WA 98909.

BUS. FROM HOME. Nat'l. rapidly expanding co. in health & fitness. Incredible success. Top of the Industry. MLM. $50K-$200K+ possible per yr. FREE training 1-800-434-8820

JOIN THE HOMETEAM! Home inspections are booming. Join one of the fastest growing franchises in the industry. Low invest/training provided. 800-598-5297.

MAKE YOUR DREAM COME TRUE. EARN $75,000 YEARLY REPAIRING, NOT REPLACING, Small Cracks in Windshields. TOLL FREE 1-800-826-8523 (US/Canada) or write: GLASS MECHANIX, 4555 NW 103 Ave, Ft. Lauderdale, FL 33351.

THOUSANDS OF BUSINESSES
1995 Franchise Annual Directory describes over 5,300 franchisors. Explains how to investigate. 548 new listings! "When you buy a franchise, you buy risk-reduction." $39.95 inclusive. Money Back Guarantee. INFO FRANCHISE NEWS, 728A Center St., Lewiston, NY 14092. VISA/MC 716-754-4669

FOUND: LOST MONEY!

INC. 500 Co. will show you how to make big money recovering hidden overcharges in leases, freight, utility, and phone bills for businesses. Perfect PT/FT home business. NO EXPER. REQ. Under $7K start-up. Free info kit. CALL NOW! 1-800-962-0177.

BUSINESS OPPORTUNITIES

RELOCATABLE BUSINESSES
Acquire established, going businesses you can relocate to your area. Mail order, publishing, distribution, other movable businesses that are for sale. Expand your horizons & your profits. For a free sample, detailed report on these businesses in the Relocatable Business newsletter, write Business Listing Service, Box 1248-NB, Highland Park, IL 60035, or call (800) 448-8567.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. J1556, Woodland Hills, California 91367

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000.00. Free recorded message: 707-449-8600 (HG2)

ARAB BUSINESSMEN HAVE MONEY TO BUY & INVEST. Top finder's fees paid. Dept 695NB1, IMEA, 419 N. Newport Blvd., Ste. B, Newport Beach, CA 92663-4271. 714-722-9260

DRAMATICALLY CHANGE YOUR PERSONAL & FINANCIAL LIFE! Free, exciting, hour cassette. Success Essentials, PO Box 2948, Corona Hills, CA 91718-2948.

#1 MONEY MAKER Spare Time! No selling! No inventory! Publicly documented seven week $19,919 income! Free audio cassette and Report reveal everything. Real Money, 333-NB65 SW 5th Street, Grants Pass, OR 97526

MEDICAL INDUSTRIES' FASTEST GROWING SEGMENT!
Broker Medical Equipment From Home
Lab-Surgery-XRay-CT-Biomedical-Surplus. Complete Start-up Guide includes industry sources, US & Foreign trade publications, online BBS sources, sample contracts, a 500 piece equipment listing with easy to read tutorial, survey forms and invoices.
MEDICAL BACKGROUND NOT NECESSARY!
Complete Start up Kit for only $79
HMS, Remarketing Guide, PO Box 3021,
Pensacola, FL 32516-3021
VISA/MC 904-444-2932
FL. Residents add $5.53 sales tax.

#1 CAREER / BUSINESS VENTURE

LUCRATIVE COMMISSIONS, ONGOING RESIDUALS

PROVIDE SERVICES TO BUSINESSES ACCEPTING CREDIT CARDS.
WORK FROM YOUR HOME OR OFFICE
ONGOING RESIDUALS, F/T - P/T
ELECTRONIC PROCESSING, INC.
1-800-669-7228

BUSINESS SERVICES

Trademark Searches $100. Application Preparation $250. Located 30 minutes from US Patent & Trademark Office. Attorney Jay Horowitz (800) 304-8266.

YOUR COMPANY LOGO IN BRASS
Impressive wall logos of brass, chrome, or other cost effective finishes. Free estimates. METAL LOGOS, INC.
800-846-LOGO(5646) Fax: 402-339-2311

TELEMARKETING-PROVEN RESULTS-Market Surveys-Lead Generation-Order Entry-Referral/Locator Service-Sales/Lead Capture-Call ANSWER AMERICA Today 800-CLUB-NOW(258-2669)

BOTTOM LINE=INCREASE MARGIN+CUT COSTS
36 Powerful, Real-World strategies for cutting costs and raising the Net income of your business! Consider the return on this investment!! Send $35 to: W.T. Buthe, CPA 18700 33rd Ave. W, Suite B-191, Lynnwood, WA 98036

New 800 Voice Mail Service Uses National Caller I.D. to Identify Calls From Anywhere in the U.S., Including Long Distance, Unlisted, & Blocked #'s

☎Know where sales calls or field employees call from ☎Eliminate lost sales opportunities ☎Pager Notification ☎Corporate Networks ☎Group Messages ☎Electronic secretary "Jane" sends wake up calls & reminders to any U.S. location. *Low Cost* **CIA Voice Mail 1.800.417.1296**

BUSINESS SERVICES

SAVE$$$ Tax Break! Avoid Costly lawsuits! 101 easy ways To comply w/Americans w/Disabilities Act. Illustrated $5 To: CTC Acess Group, PO Box 509, Cypress, CA 90630

DECREASE WORKER'S COMP COSTS
Increase Profits with our Ergonomic Consultant Kit. Be Prepared to meet the new 'OSHA Ergonomic Compliance Laws' Only $10. 800-554-ERGO

GET PAID NOW! If you have past due accounts/bad checks, discover the secrets of professional debt collectors. Call 24 hrs. 408-261-1137 Ext. 1037 from your fax machine-receive FREE REPORT faxed to you! Request document #402.

3-To-A-Page Business Checks
Save 30-50%
$19.95 +S&H
Enhance your company's image with unique check designs. Choose styles to fit your needs. Call Designer Checks for a free brochure.
1-800-239-4087

PROBLEM? WORKER'S COMP

MID ATLANTIC CONSULTANTS, INC.

Introducing a Unique Solution for Worker's Compensation for Large and Small Companies. Offices Coast to Coast.

Call for Free Information:
(214)259-1022 FAX (214)259-2214

BUY IT WHOLESALE

WHOLESALE SOURCES-Direct Factory Suppliers. 29,430 American, Mexican, & Oriental products. All types, no retail. Write: Crestco-NB56, 668 Main St., Wilmington, MA 01887

CARPET

CARPET-VINYL-HARDWOOD-BRAIDED & CUSTOM RUGS-ORIENTALS. Mill-direct. Look No Further. Guar.Lowest Prices. Warranties. Free Quotes/samples. 800-548-5815, Dalton, GA.

CARPET—Save up to 50% & more on major brands. We also manufacture our own beautiful styles. For information & samples, call 1-800-848-7747, Ext. 45. Dalton, Georgia.

ABC Floor Products-Carpet, Rugs, Vinyl. Major brands. Save 30-60%. For home, office or church. Shipped direct to your door. 1-800-275-0816, Ext. 101.

CALL CARDS/LONG DISTANCE

13¢MIN. 800# OR LONG DISTANCE COAST TO COAST. Call Cards, No Fee, Intl. None Better/Proven Reliable, FiberOptic/Digital. GOOD DEAL. Check it out 1-800-564-4348

EDUCATION

FINISH BA/MS/MBA/PhD/JD by corr. CityUnivLA, 3960 Wilshire Blvd., LA, CA 90010. New 'College Drop-Outs' Program. Call for immed. discussion. 800-262-8388/213-382-3801

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 yrs. of legal training. FREE CATALOG. 1-800-826-9228. BLACKSTONE SCHOOL OF LAW, PO Box 701449, Dept. NB, Dallas, TX 75370-1449.

BACHELOR'S, MASTER'S DEGREES
by self-paced home study. Credit for formal education, life/work experience. Military service/courses. Specialized training. SOUTHWEST UNIVERSITY, 2200 Veterans Blvd., Kenner, LA 70062. (800) 433-5925 or 433-5923

COMPLETE YOUR COLLEGE DEGREES AT HOME!
Approved, self-paced, economical Associate, Bachelors, Masters, Doctorates: Business Administration, (Health Care, International Business, Human Resources, MIS), Computer Science, JD/Law, Psychology, Technology Management. Southern California University for Professional Studies. 1840 E. 17 St-NA, Santa Ana CA 92701. 800-477-2254

EDUCATION

NO-CLASSROOM COLLEGE DEGREE!

Earn your no-classroom college degree in Business, Liberal Arts, or Nursing using Moore's successfully refined study program. Choose from several accredited universities.

Call now for more information!

Moore Educational Publishers
1-800-737-2222

EMPLOYMENT

EXCELLENT EXTRA INCOME! Assemble easy craft products at home. Easy/fun to do! Nation's most reputable program. Guaranteed! For Info Call 1-800-377-6000, Ext. 6560

FRANCHISE OPPORTUNITIES/SERVICES

FRANCHISE YOUR BUSINESS
With the leading consulting firm in the country
McGROW CONSULTING (800) 358-8011

Franchise Your Business
20+ Years Experience
National Franchise Associates, Inc.
800-377-7478

FRANCHISE YOUR BUSINESS with the nation's largest & most experienced franchise consulting firm. Over 18 years in business. Attend a seminar conducted by the only management consulting firm that has helped more than 600 businesses become franchisors. Call for information about 'Franchise Your Business' Seminars scheduled throughout the country. FRANCORP, 1-800-877-1103

HOME/OFFICE FURNISHINGS

TREMENDOUS SAVINGS ON MAJOR
BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7398
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

INVENTIONS

FREE INVENTION PACKAGE: Davison & Associates offers customized Development, Patenting & Licensing of new products & ideas. Proven results: 1-800-677-6382

LEGAL SERVICES

ON YOUR MARK will register your trademark for a reasonable fixed fee. For free package call 1-800-715-MARK, or write Cherie Radcliff-Morle, Esq., 9715 W. Broward Blvd., Ste. 301, Ft. Lauderdale, FL 33324.

PATENT & TRADEMARK ATTORNEY in Boulder, CO provides quality patent & trademark services for individuals & companies nationwide via mail at affordable fixed fees.John Flanagan: 303 449-0884/Fax 303-449-3532 for free info. about services.

INTERNATIONAL LONG DISTANCE

INTERNATIONAL & DOMESTIC CALLING RATES DISCOUNT. Fiber-Optic Quality for Fax & Computer Systems. Calling Cards, 800#'s, Int'l & Domestic. No minimum. No hidden charges or fees. Lowest Intl. Callback Rates. For Info Call 1-904-446-1201.

MAIL ORDER

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free, exciting hour cassette. Melvan Powers, 12015 Sherman Rd. No. Hollywood, CA 91605. (818) 765-8618

MAILING LISTS

BUSINESS/CONSUMER Lists! Fresh, responsive names. Select locally, nationally from 14 million businesses, professionals, 100 million consumers. Specialty lists, phones, & many formats of computer disks available. AMEX/MC/VISA. AccuData: (800) 732-8340.

NEWSLETTERS

Find middle ground with Center Field, the weekly news bulletin of vital information for independent thinkers. By FAX or mail. $29.95/year. Call 800-692-KNOW for FREE Sample.

OF SPECIAL INTEREST

FLAGS * BANNERS * FLAGPOLES * CUSTOM DESIGNS
CATALOG $2.00 Refund. w/order. Major credit cards accepted
THE SPIRIT FLAG COMPANY 1-800-450-FLAG

PREMIUMS & INCENTIVE GIFTS

Prestige Images
1-800-446-4403

Superior stitching of fine detail will enhance the image of your company logo. Quality and turnaround time are unmatched with our state of the art equipment and in-house design team. From caps to customized leathers, we can provide our full line of apparel to you for that unique gift or upcoming corporate event.

Call for our catalog

*Tee Shirts from $6.45
*Polo Shirts from $11.95
*Sweat Shirts from $12.25

*on quantities of 21 dozen. Price includes embroidery up to 5,000 stitches in seven colors.

Embroidery Means Prestige!

TRAVEL

LONDON FLATS
HOLIDAY-BUSINESS TRAVEL
THE LONDON CONNECTION
801-393-9120 / FAX: 801-393-3024

Wholesale International Airfare
No advance purchase
Africa, Europe, Orient, Russia, South America, United Kingdom
Nationwide Departures
800-527-2589 ext. 124 • FAX: 214-934-9634

WATCHES

REPLICA SWISS WATCHES
18K Goldplated! Lowest Prices! 2Y Warranty
Waterproof! PH: (404) 682-0609 FX: (404) 682-1710

Timely Reminder

Special Sampler Offer—Just $19.50.
For our *deluxe* logo watch. Never-fade guarantee. *Lifetime warranty.* Specify man's or woman's size. Send your color logo on stationery or business card and $19.50 *per* watch (plus sales tax in CA only). Limit: 5 per customer. Order now.

Great American Images
One Waters Park Drive
Suite 213-NB
San Mateo, CA 94403
Tel: 415-358-0800
Fax: 415-358-0543

Where I Stand

PHOTO: GARY KIEFFER

On The House Welfare Bill

Background: House Republicans promised sweeping welfare reform in the Contract With America, and they delivered it this spring with a comprehensive bill that was sent to the Senate. President Clinton says the bill is "too weak on work and too tough on children." These questions seek your views on specific aspects of the House bill. (See story on Page 22.)

Results will be forwarded to administration officials and congressional leaders.
Send the attached, postage-paid reply card. Or circle the answers below and fax this page to (202) 463-5636.

1

Should major federal welfare programs be administered by the states, as the House bill proposes?

1. Yes, states should receive welfare funds and be permitted flexibility to meet local needs.
2. No, the federal government should continue to run programs to make sure recipients in some states are not treated unfairly.

2

Is the bill's five-year limit on the time a person can receive federal welfare payments appropriate?

1. Period is too long
2. Period is about right
3. Period is too short
4. There should be no time limit

3

How do you view the bill's requirement that persons who have received welfare for more than two years must engage in state-defined "work activities" to continue getting aid?

1. Period is too long
2. Period is about right
3. Period is too short
4. Work should not be required

4

The House bill gives states some authority to create incentives for businesses to hire welfare recipients. What would be the most helpful?

1. Tax credits
2. Training grants or stipends
3. Flexible wage scales
4. No incentive needed

5

Should aid be denied to children born to an unmarried mother under 18, except in cases of rape or incest, until the mother turns 18, as is the case in the House bill?

1. Yes, it's a reasonable penalty for the parent
2. No, it's an unreasonable penalty for the parent and child

6

How do you feel about making most noncitizens in the U.S. ineligible for aid under most welfare programs?

1. Goes too far in penalizing persons born abroad
2. Is a reasonable approach
3. Doesn't go far enough

7

The bill requires all able-bodied food-stamp recipients ages 18 to 50 with no dependents to work or to be in a training or work program within 90 days or lose benefits. How do you view this requirement?

1. Too tough
2. Reasonable approach
3. Not tough enough

Send Your Response Today!

POLL RESULTS

Readers' Views On Tax Reform

An overwhelming majority of respondents to an April *Nation's Business* poll dislike the current income-tax system. Among respondents to the Where I Stand poll, 94 percent expressed dissatisfaction with the current tax structure, while 91 percent said a new one should encourage savings and investment.

By large margins, respondents also said longstanding deductions—for home-mortgage interest, property taxes, and charitable contributions—are important.

A debate over reforming the nation's tax system is getting started in the Republican-controlled Congress, although action is not expected until after the 1996 elections.

Here are the complete results of the survey:

TAX REFORM

How do you feel about the current tax structure?

Very satisfied	2%
Satisfied	4
Dissatisfied	27
Very dissatisfied	67

How important is it for a tax system to encourage savings by consumers and new investments by business?

Very important	91%
Somewhat important	7
Not important	2

Should money put into savings or received as interest or dividends be exempt from taxation?

Yes	84%
No	16

How would you view a tax change to allow writing off the costs of new buildings and equipment in the year they are incurred instead of depreciating them?

Very helpful	49%
Somewhat helpful	39
Not helpful	12

How do you view keeping deductions for home-mortgage interest, property taxes, and charitable contributions in any new federal tax structure that would replace the income tax?

Very important	43%
Somewhat important	29
Not important, should be eliminated	28

What would be the impact of a broad-based consumption tax—a sort of national sales tax—on your business if such a tax were to replace the federal income tax?

Heavy positive impact	17%
Slight positive impact	14
No impact	32
Slight negative impact	19
Heavy negative impact	18

Commentary

Direct tax hikes can be so politically risky that lawmakers have often resorted to stealth increases.

By Robert T. Gray

A Tax By Any Other Name ...

A highly popular provision of U.S. tax law began disappearing in 1987.

That year marked the beginning of the phaseout of the longstanding tax deduction for interest paid on consumer loans. Generations of taxpayers had written off the interest they had paid on credit purchases of items ranging from children's clothing to automobiles. By 1991, the deduction had vanished.

The elimination of the deduction was accompanied by another move aimed at interest deductions—a further limitation on deductibility of interest paid to acquire investment property.

Those two moves on interest deductions boosted federal revenues by nearly $30 billion over the five-year phaseout period. It was $9.5 billion in 1991 alone, and the cutbacks in the interest deductions continue to add substantially higher amounts to revenue collections each year as the population grows.

The action on consumer interest was not isolated. Because raising taxes directly is such a visible and politically risky action, lawmakers have often resorted to what might be called "stealth" boosts. These are achieved by curtailing or abolishing longstanding deductions and exemptions, by increasing the maximum amounts that are taxable, or by keeping in place taxes that had been imposed with assurances they would be short-lived.

A 1990 tax provision picked up $18 billion in added revenue over five years by limiting the total deductions that could be claimed by higher-income taxpayers. That same legislation also phased out the personal exemption in that income range, gaining an additional $10.8 billion.

The government is gaining well over $30 billion between 1991 and 1997 through increases in the amount of wages covered by the health-insurance payroll tax.

That tax was previously levied on the same wage base as other types of Social Security taxes. That base, $51,300 in 1990, was raised to $125,000 for health-insurance taxes. In 1993, still another revenue change applied it to all wages.

An additional $18 billion was gained by raising to 85 percent, from 50 percent, the amount of Social Security benefits on which taxes had to be paid by recipients at specified income levels.

A scheduled drop in the tax on estates and gifts was canceled, providing a five-year tax pickup of $2.8 billion.

Elimination of the deduction for lobbying expenses and country-club dues added hundreds of millions to the revenue stream.

Other actions included a cut to 50 percent from 80 percent in the cost of business-related meals that can be deducted (a pickup of $16 billion) and a curtailment of the range of deductions for expenses incurred in moving to a new job ($2.3 billion).

While many such steps to increase revenues without imposing direct new levies have been used over the years, the potential for more is substantial because of an ongoing exercise by the Congressional Budget Office.

Each year, that agency is required by law to list options for reducing the deficit by increasing revenues and cutting spending.

Although the CBO states that the appearance of any proposal does not constitute a recommendation, it also points out that its report "has become a standard reference for developing deficit-reduction plans."

Among the items on this year's list:

- Amend or repeal inflation indexing for exemptions, brackets, and other aspects of the tax code.
- Eliminate or limit deductions for mortgage interest, state and local taxes, and charitable giving.
- Tax more Social Security benefits.
- Limit the tax value of deductions to 15 percent instead of the full rate applicable to the taxpayer's bracket.

While the mood of the present Congress tends toward cutting taxes rather than raising them, the CBO list demonstrates the many ways still available to lawmakers of the future who are inclined toward revenue-boosting steps that do not involve levying direct tax increases.

And sometimes those backdoor increases come in the guise of supposed reform. The 1986 law's elimination of many deductions and other forms of relief was defended as a tradeoff for a reduction in rates, with the top set at 28 percent.

At this point in tax history, the deductions are still gone but the top marginal rate is back to nearly 40 percent. NB

PHOTO: T. MICHAEL KEZA

Interest on consumers' credit purchases *used to be tax-deductible, but the deduction vanished along with others in a series of revenue-raising actions.*

Robert T. Gray recently retired after 26 years with Nation's Business, *13 as editor.*

Editorial

Welfare Reform: Undoing The Mistakes

The current debate over reforming the nation's welfare system covers such critical actions as work requirements, curtailing illegitimate births, enforcing child support, and limiting the eligibility period for benefits.

Legislation is built of specifics, and Congress should pursue those and other steps necessary to achieve an arrangement equitable to both the truly needy and the taxpayers financing the benefits.

Those criticizing welfare-reform efforts launched as part of the House Republican majority's Contract With America not only ignore the importance of that goal but also fail to grasp a larger element that extends into many of the other initiatives under way in this historic Congress.

That element is the necessity for all institutions to recognize and adapt to change before they are overwhelmed by it. For businesses, this is a matter of survival. Governments not subject to the immediate discipline of the market too often fail to realize that as the nature of problems changes, the solutions must change also.

PHOTO: ©WASHINGTON DAILY NEWS—D.C. PUBLIC LIBRARY

Launched during the Depression, *the welfare system was intended to be a safety net, not a trap.*

Welfare is an outstanding example of this. The present federally dominated welfare system was adopted in response to the Depression of the 1930s. The program was intended to help mothers and children under 18 who would otherwise have no support. The arrangement was viewed as a way to help such families through crises. Programs to help two-parent families were based on jobs provided directly by government or by government-stimulated private activity.

The welfare system that was launched with such good intentions 60 years ago has provided a measure of help to those in need through no fault of their own, but it has also had consequences not anticipated by the sponsors—welfare dependency by successive generations of the same families and a booming population of unwed mothers.

Those sponsors assumed that desperate families would seek welfare only as a last resort and would return to self-sufficiency as quickly as possible. It was not anticipated in 1935 that the cost and scope of the program would grow explosively through the economic recovery that began just a few years later and the long era of prosperity that followed.

The great tragedy of this system is that it has not helped very many of its beneficiaries achieve self-sufficiency but has in fact victimized them. A pervasive welfare culture is unequaled in its power to destroy incentive, self-sufficiency, and a sense of self-worth.

The evolution of the welfare system from a safety net into a trap is the basis of the current debate over how the nation can deal with its needy. The federal government failed to recognize what was happening, and the problems naturally became far worse. This is the penalty of what has long been Washington's inability to master the essentials of planning—to identify and accommodate change, not be run over by it.

Planners ask: "How will the financial, social, political, global, and demographic environments in which we operate change over the next five, 10, 15 years? How do we have to change to succeed in those changed environments?"

The federal government has too often preferred the classic response: "We've always done it that way." The American people last November rejected that attitude and decided it was time for new ideas and new approaches.

The new Congress is meeting that mandate with specific legislation that challenges entrenched policies and programs. One of the most welcome aspects of these initiatives is the extent to which they recognize that the mistakes of the past are reversible and that government structures built for one time and place do not have to last forever.

Congress and its leaders are applying that policy not only to welfare but also to the tax system, to longstanding forms of regulation, and to other programs.

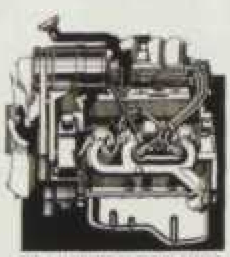
This approach offers the nation more hope for optimism than it has enjoyed in a very long time. NB


Bill Borders, President Las Vegas Auto Parts Las Vegas, Nevada.
"IT'S MORE THAN
IT'S MY SILENT PA

When it comes to reliable business partners, there's one that you can always count on: the Safari cargo van from GMC Truck. Safari comes with all of the strength and reliability that made GMC Truck famous. But there's so much more.

VERSATILITY MEANS PRODUCTIVITY.
Safari has the highest and widest side and rear door openings in its class and an extended 189.8-inch overall body length, which translates into up to 170 cubic feet of interior cargo space. Safari is available in both rear-wheel-drive and all-wheel-drive models, with payloads of up to 1986 lbs and a towing capacity of up to 5500 lbs, when properly equipped.

MORE POWER MEANS MORE BUSINESS.
A smoother, quieter 4.3L central-port-injected V6 engine is standard and generates 190 horsepower. Also standard is a 4L60-E four-speed automatic transmission. You'll also find air conditioning, plus a four-wheel antilock brake system and driver's side facial air bag on each and every Safari. All of which add to the truck's reliability and performance.


THE 4.3L VORTEC V6 ENGINE OFFERS 190HP AND 260 LB-FT OF TORQUE

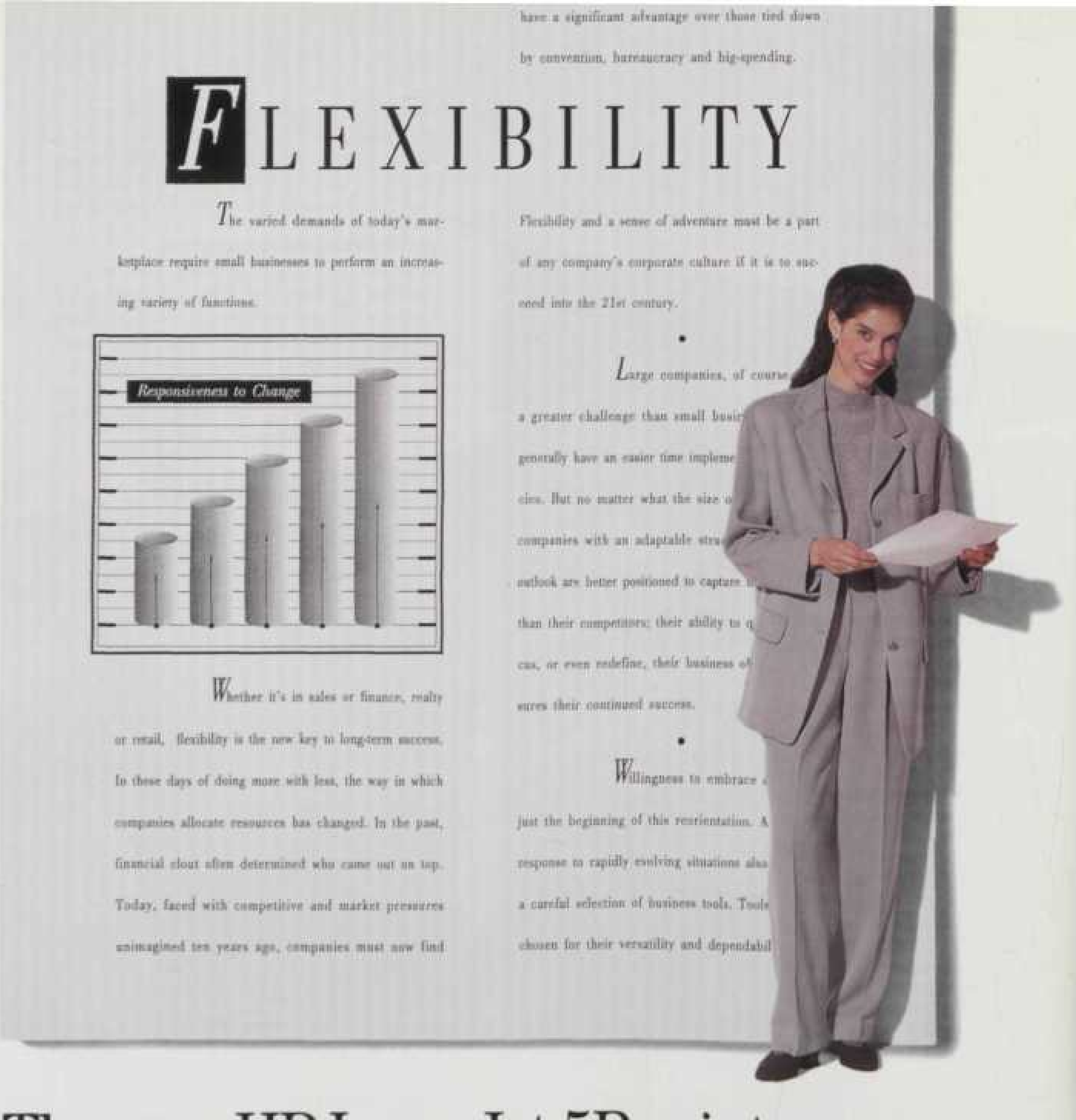
WORK GETS DONE. MONEY GETS MADE.
When you get right down to it, your bottom line is where the value of your work vehicles is judged. With Safari, you have a van that has the ability to move plenty of cargo or plenty of people. Not to mention providing plenty of uptime. All this adds dependability and reliability to your bottom line.

If you'd like more information about GMC Safari or any other vehicle from GMC Truck, call us at **1-800-GMC-TRUCK** (1-800-462-8782). We'll be happy to show you why the best business partner to have is the one that never says a word.

OVER 7100 GMC TRUCK DEALERS SERVICE SAFARI NATIONWIDE

GMC TRUCK SAFARI
THE STRENGTH OF EXPERIENCE

Mr. Bill Borders owns a 1994 Safari cargo van and several other GMC Truck products.



The new HP LaserJet 5P printer. It specializes in everything.

$899

Estimated U.S. retail price. Actual price may vary.

From envelopes to index cards, letter-size to legal-size, the new HP LaserJet 5P tackles whatever comes its way. With two paper trays, the ability to print up to 10 wrinkle-free envelopes at one time, crisp 600-dpi print quality, and six-page-per-minute speed, it's the perfect printer for your business. Beyond all this, new wireless infrared printing ensures built-in flexibility into the future.

Imagine. Unsurpassed versatility. Legendary HP reliability. And now, surprising affordability. See your Yellow Pages for the HP dealer nearest you.

HP LaserJet Printers
Just what you had in mind.

HEWLETT® PACKARD

The Business Advocate

SUPPLEMENT TO Nation's Business JUNE 1995

U.S. Chamber of Commerce

Chamber Wins Limits On Liability Awards

Bruce Josten, the U.S. Chamber's senior vice president for membership policy, dicusses the need for legal reform, including caps on punitive damages in liability cases, at a press briefing at the Capitol before Senate action on legislation. Sen. Paul Coverdell, R-Ga., left, one of the leading advocates of a comprehensive measure, and members of a business coalition on legal reform also participated in the press conference.

The U.S. Chamber of Commerce scored one of its most important legislative victories ever with the recent Senate passage of a bill to create a federal product-liability law that would pre-empt the patchwork of 50 state laws.

While a House-Senate conference committee must work out differences between the Senate bill—which was approved May 10 on a 61-37 vote—and broader legal-reform legislation passed by the House, the Senate vote virtually assures a federal product-liability law will be enacted this year.

Continued on Page 3A

Fiscal Policy

Move To Reduce Deficit Backed

As the House and Senate begin debating federal budget proposals for fiscal 1996 and beyond, the U.S. Chamber of Commerce is urging lawmakers to approve a framework that would balance the budget by the year 2002 without raising taxes.

Such a budget plan was expected to be offered by Republicans on the budget committees in each house. The panels were to begin work on proposals in early May. Votes by the full House and Senate on their respective budget committees' recommendations are expected by early June.

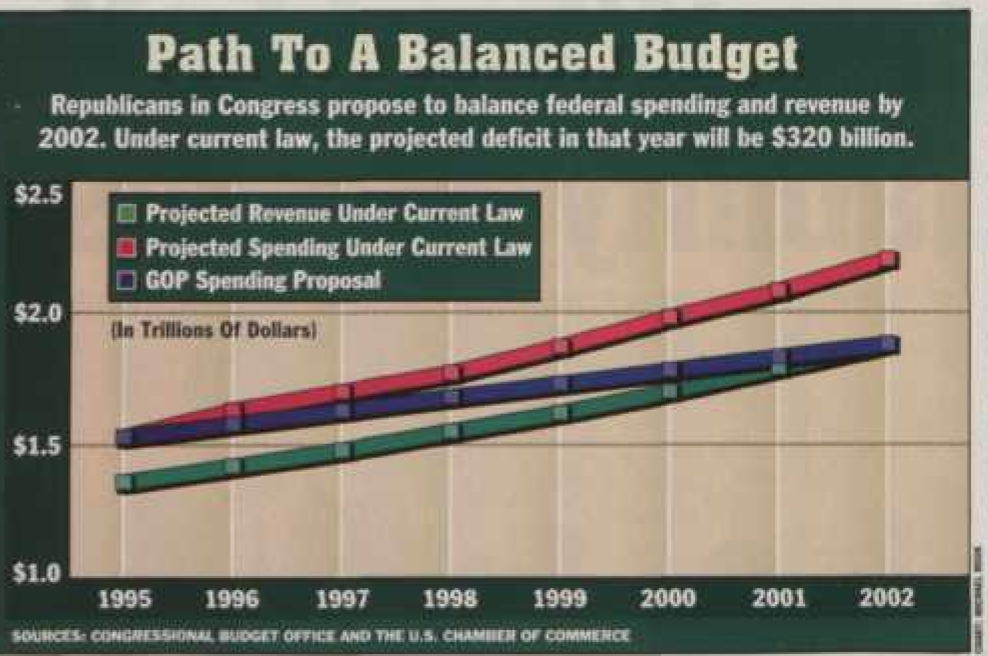
The House and Senate are likely to pass different plans, and so a conference committee will probably have to reconcile differences in the proposals. The Senate, for example, could include in its resolution some or all of the $189 billion in tax cuts approved by the House in early April.

A final budget resolution will detail projected federal revenues and spending during fiscal years 1996-2002 and serve as a guide for congressional committees as they authorize spending programs under their jurisdiction.

The Senate and House appropriations committees—also using the resolution as a guide—designate funds for programs they oversee through 13 appropriations bills. Those measures are approved or rejected by Congress; if approved, they are sent to the president who signs—or vetoes—them.

The budget panels are expected to write plans that would restrain federal spending growth by $1 trillion to $1.5 trillion over seven years. According to the U.S. Chamber, such a spending proposal would effectively balance the federal budget by 2002.

Republicans are expected to put forth a plan to restrain the annual growth rate of government spending from the 5.3 percent now projected by the Congressional Budget Office (CBO) to about 3 percent for the next seven years.



"Balancing the budget will increase savings and investment, boost productivity growth, and increase Americans' standards of living," says Martin A. Regalia, chief economist of the Chamber. "The only effective way to balance the budget is to restrain the growth of spending."

Without a brake on spending, the federal budget deficit—now $176 billion—would balloon to more than $320 billion in 2002, according to CBO projections. (See the chart.) And ever-increasing government spending, much of it paid for with higher taxes, has diverted funds from private-sector investment that could help improve productivity, create jobs, and increase real wages, says Regalia.

Call your senators and representative immediately and urge them to approve a budget resolution that restrains spending and balances the budget by 2002. Dial the congressional switchboard at (202) 225-3121.

Spending

Sen. Rod Grams, R-Minn., says the federal government, financially and morally, cannot continue spending at the current rate. He told the Industrial Energy Users Forum at the U.S. Chamber that he favors a plan being considered by Senate Republicans that would balance the budget by the year 2002.

■ Victory

Chamber Wins Liability Fight

Continued from Page 1A

The Chamber has been at the forefront of efforts to establish a federal product-liability statute for more than a decade.

Bruce Josten, the Chamber's senior vice president for membership policy, called the legislation "long overdue relief for business from a bizarre and disgraceful legal lottery. The Chamber commends the Senate leadership for this bold step on behalf of small business."

Passage of the legislation, he said, "will transform our runaway legal system from one that lines the pockets of trial lawyers at the expense of business to a system that assigns responsibility where it is due."

The House passed its legislation, which included product-liability and medical-malpractice reforms among others, on March 10 as part of the House Republicans' Contract With America.

Both bills would provide incentives for quicker settlements of lawsuits, speedier compensation to injured parties, and reductions in legal costs for both sides in a suit.

They also would limit the liability of retailers and wholesalers for the sale of defective products and would restrict damage awards against defendants when a victim used a product in a way expressly warned against or that the average person should have known would cause harm. The measures would also hold victims responsible if their use of drugs or alcohol was a major contributing factor in their injuries.

The measures would eliminate joint and several liability, which allows the defendant with the greatest resources in cases with multiple defendants to be held fully responsible for any harm caused by a product.

The centerpiece of the legislation, though, is a cap on punitive damages in product-liability cases. Punitive damages are those assessed beyond the amount awarded to compensate the victim for lost wages, medical costs, and pain and suffering.

The Senate bill would cap punitive damages at $250,000 or two times the amount of compensatory damages. Companies with 25 or fewer workers and individuals with a net worth of $500,000 or less would be required to pay no more than the lesser of those amounts; all other firms would pay the larger amount.

Another provision would allow a judge to assess damages higher than those awarded by a jury under certain conditions. Currently, judges may only lower awards.

Majority Leader Bob Dole, R-Kan., helped guide a product-liability measure through the Senate.

The House legislation would cap punitive damages in all civil litigation at $250,000 or three times economic damages, and the cap would apply to all businesses. There is no provision in the House bill for judicial review of awards for punitive damages.

The House and Senate bills also have slightly different statutes of limitations for filing product-liability suits against companies.

The House measure would make it harder for investors to sue companies in which they own stock and would encourage out-of-court settlements and alternative dispute resolution by requiring plaintiffs, if they lose in certain federal cases, to pay some of their opponents' legal costs. And it allows for sanctions for the filing of "frivolous" lawsuits.

The road to passage in the Senate was a little rougher than it was in the House, where it passed 265-161.

It took Senate proponents of the reform legislation four attempts to cut off a prolonged debate on their measure and to bring it up for a final vote. The tally to end the filibuster was 60-38.

The Senate failed twice to cut off debate on a broader version of the bill on votes of 46-53 and 47-52. Sixty votes are need to end a filibuster.

The House legislation moved quickly through the committee process and was approved overwhelmingly on its one and only trip to the floor.

■ Striker Replacements

Ruling To Be Appealed

The U.S. Chamber of Commerce will appeal a federal district court's ruling related to a Clinton administration order barring federal contractors from hiring permanent replacements for striking workers.

The Chamber and several other business organizations had requested an immediate injunction to stop implementation of the order.

The U.S. District Court for the District of Columbia Circuit ruled that because no contractor has yet been harmed—or debarred from receiving contracts—by the order, the case is not "ripe" for review.

However, the court did not consider the claims made by the Chamber and the other groups, which argued that the president has no authority under the Constitution or through Congress to "regulate the use of economic weapons in the collective-bargaining process or to punish federal contractors for hiring replacement workers."

The order, signed by President Clinton on March 8, prohibits federal agencies from contracting with companies that have hired replacement workers for employees—either union or nonunion—who strike over economic conditions, such as wages. It applies to companies receiving federal contracts of more than $100,000.

Business Ballot

Confidence In Economy Slips Again

Business's confidence in the economy fell slightly in April following a sharp decline in February, according to the latest poll of U.S. Chamber of Commerce members.

After reaching an all-time high of 65.2 in December, the Chamber's Business Confidence Index dropped to 59.0 in February and to 56.6 in April.

The index was developed by the Chamber and is based on the results of three economic questions asked in the bimonthly Business Ballot poll. The poll asks Chamber members' six-month outlook for their firms' sales and employment and for the economy in general.

April's index was the lowest since August's 49.9. (See the chart.)

"Overall, the April Business Confidence Index was consistent with an economy slowing from the very rapid pace of late last year," said Martin A. Regalia, U.S. Chamber vice president and chief economist. "The rate of decline, however, is moderate and more indicative of continued but slower economic growth rather than outright recession," he said.

In the latest poll, just under 26 percent of the respondents said they expect the economy to improve over the next six months—down from 30.8 percent in February. But 28.4 percent expect it to get worse, up from 25.8 percent in February. Just under 46 percent expect no change in the economy.

Respondents remain optimistic about their own firms' outlook, with 44.5 percent saying they expect sales to increase over the next six months—compared with 46 percent in February—and just 16.7 percent expecting sales to go down—compared with 12.8 percent in February. Just under 39 percent believe there will be no change in their sales.

On their employment outlooks, 25.4 percent of the respondents said they expect to add employees over the next six months, compared with 24.8 percent in February. Eleven percent expect to cut jobs, compared with 8.8 percent in February. Expecting no change were 63.6 percent of the respondents.

Be sure to respond to this month's Business Ballot in the polybag with your Nation's Business *and* The Business Advocate.

Poll Results

Members Strongly Oppose Increase In Minimum Wage

The overwhelming majority of U.S. Chamber of Commerce members believe an increase in the federal minimum wage would hurt the economy.

Members registered their opposition to a wage hike in the latest bimonthly Business Ballot poll.

The two other legislative issues on the ballot also drew overwhelming majorities. Nine out of 10 poll respondents said they support passage of measures to reform product-liability laws, and three out of four said they believe legislation to legalize employer-employee work teams is necessary for U.S. competitiveness.

Seventy-two percent of respondents to the April poll said a proposal by the Clinton administration to raise the minimum wage to $5.15 an hour over two years from its current $4.25 would be detrimental to the economy. More than 55 percent of them said such a wage hike would slow economic growth, and nearly 17 percent said it would result in layoffs at their firms.

Just 13.7 percent said an increase in the wage floor is necessary for workers' well-being, and 14.3 percent said they view an increase as necessary to encourage the unemployed to work.

On the issue of employer-employee work teams, 73.8 percent of respondents said legislation to legalize these teams is necessary for U.S. competitiveness.

Rep. Steve Gunderson, R-Wis., is sponsoring a bill that would legalize employer-employee work teams.

Measures to clarify that cooperative labor-management work teams are legal were introduced in the House and Senate this year by Rep. Steve Gunderson, R-Wis., and Sen. Nancy Landon Kassebaum, R-Kan.

The legislation was prompted by a National Labor Relations Board ruling that a 1935 labor law makes employer-employee work teams in nonunion workplaces illegal. There is no need to change that current law, said 26.2 percent of respondents.

On the issue of product liability, almost 92 percent of respondents said punitive damages in product-liability cases should be limited by law. Just 3.6 percent said these damages, which are in addition to awards for compensation for injuries, should not be capped, and 4.5 percent were undecided.

The Chamber has long fought for passage of a federal product-liability law that includes limits on punitive damages.

■ Victory

Paperwork Measure Advances

A measure to extend and strengthen the Paperwork Reduction Act—one of the U.S. Chamber of Commerce's highest legislative priorities—was set to be signed into law in late May by President Clinton.

The final package was crafted by a House-Senate conference committee and combined elements from separate paperwork bills passed earlier by the two houses.

The House passed the conference panel bill 417-0, and the Senate approved it by a voice vote. Both votes were in early April.

The paperwork-reduction law, enacted in 1980 but allowed to expire in 1989, established the Office of Information and Regulatory Affairs (OIRA) within the White House's Office of Management and Budget. Since 1989, OIRA has continued to operate with appropriations made by Congress.

Sen. Sam Nunn, D-Ga., helped shepherd through Congress legislation backed by the Chamber to reauthorize and strengthen the Paperwork Reduction Act.

The office's mission is to review and approve or deny federal agencies' paperwork and regulatory requests. Its charge also includes weighing the costs and benefits of federal paperwork and regulations and assessing their likely impact on small firms.

The legislation sent to the president:

■ Reauthorizes the Paperwork Reduction Act—and OIRA—for six years.

■ Mandates a 10 percent reduction in paperwork for each of the first two years of the law and 5 percent annually thereafter.

■ Strengthens OIRA's ability to ensure that federal agencies comply with the paperwork statute by, among other measures, increasing its budget.

■ Requires agencies to substantiate their estimates of the burden for each new paperwork requirement on the public.

■ Reverses a 1990 U.S. Supreme Court ruling that OIRA had authority to control only agency paperwork requests for the disclosure of information to the federal government, not to third parties such as local police or fire departments. The ruling had effectively cut by one-third the federal paperwork requests subject to OIRA review.

■ Allows the public to compel OIRA to respond to allegations of "invalid" information-collection requests from federal agencies. Invalid requests are defined as those that have not been reviewed by OIRA.

Reducing government paperwork ranked third among business's legislative priorities in a poll of the U.S. Chamber's 220,000 members conducted last fall.

■ Common Goals

Rep. Charles Bass, R-N.H., left, and Bruce Josten, U.S. Chamber senior vice president for membership policy, discuss the many similarities between the House GOP's Contract With America and the Chamber's National Business Agenda. Many elements of the Contract are now pending in the Senate. Bass was one of six freshmen Republican representatives who met recently with members of the Policy Insiders group at the Chamber.

■ Trade

MFN Status Urged For China

As the deadline nears for renewing most-favored-nation (MFN) trade status to China, the U.S. Chamber of Commerce is urging the Clinton administration to make the extension unconditional.

President Clinton has until June 3 to continue China's current trade status, which expires July 1.

MFN status is routinely granted by the U.S. to most nations with which America trades. But for the past two years, the administration and some lawmakers have threatened to deny or restrict MFN status to China because of the nation's poor record on human rights.

Although authority for granting—and renewing—MFN status to countries rests with the president, Congress can pass legislation to deny or restrict such privileges.

The Chamber says doing so would hurt U.S. economic interests and would hinder the forces in China most sympathetic to political reform.

Call your lawmakers to urge renewal of China's MFN status without conditions. Dial the Capitol switchboard, (202) 225-3121.

Regulation

Broad Bill To Reform Rules Backed

Legislation to reform the federal rule-making process could come up for a vote in the Senate as early as the first week of June.

As the legislation moves toward the debate stage, the U.S. Chamber of Commerce is pushing for a comprehensive measure that would ease the regulatory burden on business.

Slightly different reform bills have been cleared by the Senate Judiciary, Governmental Affairs, and Energy and Natural Resources committees, and senators were working in May to craft consensus legislation.

In the House, representatives approved a reform bill in early March that was strongly backed by the Chamber. The measure was part of the House Republicans' Contract With America.

Sen. Nickles, R-Okla., offered a bill to allow Congress 45 days to review proposed rules.

The House-passed bill includes a provision to reauthorize and strengthen the Regulatory Flexibility Act, a top Chamber priority. That law requires federal agencies to examine a proposed rule's effect on small business and to rewrite the regulation if it would have a significant, adverse impact. Under the House bill, small firms could sue in federal court to enforce the statute.

The legislation would also require that agencies assess the relative risks that health, safety, and environmental rules costing $25 million or more annually seek to reduce or eliminate. In addition, it would require regulators to conduct cost-benefit analyses of all rules with expected economic impacts of $50 million or more. Agencies could be sued if they failed to comply with those mandates.

The bill cleared by the Senate Judiciary panel and sponsored by Majority Leader Bob Dole, R-Kan., is similar to the House-passed measure.

Dole's measure would apply to most regulations costing $50 million or more a year. It also would allow petitions of federal agencies to conduct cost-benefit analyses and risk assessments of existing major rules to modify or amend them. This so-called "look-back" provision could only be used when there are new technologies or new data pertaining to activities or products already regulated under existing statutes.

Another Senate bill—sponsored by Sen. William V. Roth Jr., R-Del., chairman of the Governmental Affairs Committee—would apply to rules estimated to cost $100 million or more to implement and only to those issued by 11 federal agencies. Dole's measure applies to all federal rules.

Roth's measure would allow lawsuits in federal court to block enforcement of final regulations, which is the same as current law, and it would prohibit challenges to the cost-benefit or risk tests conducted by agencies. It contains no provision for assessing regulations already on the books.

A bill sponsored by Sen. Frank H. Murkowski, R-Alaska, chairman of the Energy and Natural Resources Committee, would apply to regulations with economic impacts of $75 million or more. His measure is similar to Dole's. It is expected that Murkowski's bill will be merged with Dole's.

Separately, the House and Senate are working to reach a consensus on different regulatory-review measures each chamber approved earlier this year.

The Senate measure, sponsored by Sens. Don Nickles, R-Okla., and Harry Reid, D-Nev., and passed 100-0 in late March, would give lawmakers 45 days after an agency issued a final rule to review it and to adopt a joint resolution disapproving the regulation if it is found to be too costly, too burdensome, or unnecessary.

The House bill, approved in late February by a vote of 276-146, calls for a year-long moratorium on most new federal regulations so that Congress can review them to see if the rules are necessary, duplicative of existing regulations, or too burdensome. It would be effective until Dec. 31, 1995, and retroactive to rules proposed since Nov. 20, 1994.

The House may craft new legislation that includes a 45-day review provision and some moratorium period. If such a bill is passed, a House-Senate conference committee would have to reconcile differences between the two bodies' measures.

Call your senators and urge them to support regulatory-reform legislation that includes provisions for cost-benefit analyses and risk assessments of all federal rules; judicial review of agencies' compliance with those provisions; and petitions of agencies to conduct cost-benefit and risk-assessment tests on existing regulations. Dial the Capitol switchboard at (202) 224-3121.

Policy Insiders

Sen. Kay Bailey Hutchison, R-Texas, who co-chairs the Senate Regulatory Reform Task Force, recently told the Policy Insiders group at the U.S. Chamber that American companies are finding it harder to compete in a global economy because of federal rules. "It is [Congress'] responsibility to rein in those regulators who have gone too far afield," she said.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

Chamber Calls For Endangered Species Act Reforms

Action On Legislation To Overhaul The Law Could Be Completed By Fall

For the first time since 1988, Congress has begun the three-step process of reviewing, modifying, and extending the Endangered Species Act, and action on the measure could be completed this fall.

Consideration of the measure provides an opportunity to improve the statute, which was enacted with laudable goals but whose implementation has hurt ordinary citizens and businesses, says Sally Jefferson, associate manager of domestic policy for the U.S. Chamber of Commerce.

"The act's stated purpose is conserving and recovering endangered species and the ecosystems upon which they depend," she says. "But it is falling far short of these lofty goals."

PHOTO: ANNIE COUFFER-BRUCE COLEMAN, INC.

For example, Jefferson notes, only five species have been recovered, and three of those successes were the result of finding additional populations. Six species have become extinct after being listed as endangered or threatened, and 34 others have become extinct while waiting to be listed.

According to the General Accounting Office, about 200 species now on the list probably never will recover.

Moreover, says Jefferson, the listing of species has far outpaced the development of plans for recovering species. There are about 1,000 endangered and threatened species of animals and plants, with an additional 4,000 species—mostly plants, insects, and shellfish—waiting for federal protection.

However, nearly half of the currently listed species do not have a recovery plan, and, for those that do, years can elapse before implementation begins. According to a 1994 study by the National Wilderness Institute, an environmental research organization based in Alexandria, Va., the cost of recovering 388 selected species alone will be more than $884 million.

Says Jefferson: "As presently interpreted by the courts, the act is the most far-reaching of all environmental statutes: It has an absolute mandate to protect species, whatever the cost to society."

The inefficiencies in the law and the growing number of costly conflicts nationwide over preserving species habitat versus meeting human needs have produced a broad consensus in support of changing the act.

For the federal government, Interior Secretary Bruce Babbitt recently proposed exempting small landowners from certain species-conservation activities and recommended several endangered-species reforms to Congress.

On behalf of business, the U.S. Chamber is formulating amendments to the act to protect biological diversity while mitigating the law's harmful effects on jobs, businesses, and resource-dependent communities.

According to Jefferson, necessary changes include:

- Ensuring the use of sound science throughout the process of designating critical habitats and designing recovery plans.
- Creating a scientific peer-review process to review petitions for listing species as endangered or threatened.
- Providing incentives to landowners to protect and mitigate against harm to species.
- Requiring that all affected parties be involved in the decision-making process.

The Chamber has formed an ad hoc task force on endangered species to build on business's current efforts to encourage Congress to adopt scientifically based, people-friendly changes in this federal law.

Meanwhile, President Clinton recently signed into law a six-month moratorium on the listing of new species. And, in early March, the House passed property-rights legislation that would require the federal government to compensate any landowner whose property value is diminished by more than 20 percent as a result of an endangered- or threatened-species listing or habitat designation.

Rep. Richard Pombo, R-Calif., who is leading a bipartisan House Task Force on Endangered Species, has launched a series of hearings around the country to obtain public input on the endangered-species law before he drafts comprehensive reauthorization legislation early this summer. A bill is expected to be considered by the full House before the August

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, U.S. Chamber specialists on legislative and regulatory issues provide activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how to become a member of this network, call (202) 463-5604.

congressional recess. In the Senate, jurisdiction over this issue belongs to the Environment and Public Works Subcommittee on Drinking Water, Fisheries, and Wildlife. The panel's chairman, Sen. Dirk Kempthorne, R-Idaho, planned several field hearings for May and is expected to introduce a comprehensive reauthorization bill this fall.

However, one of the biggest challenges to reforming the act will be gaining the support of Sen. John H. Chafee, R-R.I., chairman of the Environment and Public Works Committee. In the past, Chafee has strongly opposed changes to the existing program.

Write your senators and representative and urge them to support legislation to reform the Endangered Species Act. Tell them reform legislation should promote sound science and a balance between species protection and economic growth. The address for senators is U.S. Senate, Washington, D.C. 20510; the address for representatives is U.S. House of Representatives, Washington, D.C. 20515.

Chamber Pushes For Speedy Action On Legislation To Help S Corporations

The U.S. Chamber of Commerce is pushing for quick action on legislation that would expand capital-formation techniques, broaden shareholder eligibility rules, preserve family businesses, simplify overly complex rules, and reform the tax treatment of fringe benefits for S corporations.

The legislation, introduced in early May by Sens. Orrin G. Hatch, R-Utah, and David Pryor, D-Ark., would also enable S corporations to raise capital more easily. Similar legislation is expected to be introduced in the House later this year.

In an S corporation—named for the Internal Revenue Code subchapter that pertains to this type of business organization—all profits and losses flow to shareholders. Income is taxed only once, at the personal level. Profits of C corporations, however, are taxed twice—as income to the company and as dividends to shareholders.

About 1.6 million small businesses in the U.S. are organized as S corporations.

Although details of the Hatch-Pryor measure had not been made final at press time, the legislation is expected to:

- Increase to 50, from 35, the number of individuals or entities allowed to own shares in an S corporation.
- Allow certain tax-exempt organizations, such as charities and employee stock ownership plans, to own stock in S corporations.
- Allow S corporations to own 100 percent of the stock of other S corporations and to own more than 80 percent of the stock of C corporations.
- Permit family members who own stock in an S corporation to be treated as a single shareholder.
- Allow S corporations to issue "plain vanilla" nonconvertible preferred stock.

Write your senators and urge them to co-sponsor and support the Hatch-Pryor S corporation reform legislation. The address: U.S. Senate, Washington, D.C. 20510. When the companion House bill is introduced, write your representative, and urge support for that measure. The address: U.S. House of Representatives, Washington, D.C. 20515.

We Value Your Opinion

Early this summer, all participants in GAIN, the Chamber's Grassroots Action Information Network, will be asked to complete a mail survey on issues likely to be decided by Congress next year.

Survey results will help the Chamber shape policies and determine legislative priorities for 1996.

If you are not a GAIN participant, or if you are not sure whether you have filled out a brief GAIN profile of issues most important to your business—which establishes you as a participant in the network—you can obtain a form by calling (202) 463-5604.

Register for GAIN today so you can participate in the U.S. Chamber's 1996 legislative survey.

Bipartisan Mining-Law Reform Measure Expected To See Senate Action Soon

The future of prospecting and mining on federal lands is at stake as Congress debates proposed reforms to the General Mining Law of 1872.

Last year, the House and the Senate passed separate bills to overhaul the statute, and a conference committee failed to reconcile differences in the measures.

But there continues to be widespread agreement that the government should receive royalty payments from companies that extract hard-rock minerals from federal lands. There is also broad consensus that changes are needed in the current system of patenting, which grants companies title to land.

Changes reflecting this consensus were included in the legislation adopted by the Senate during the last Congress. However, the bill passed by the House last year went well beyond these reforms, says Sally Jefferson, associate manager of domestic policy for the U.S. Chamber of Commerce, which supported the Senate bill.

The House legislation would have resulted in the closing of federal lands to new mining operations, loss of thousands of U.S. jobs, and diminished overseas investment of American mining-exploration dollars, Jefferson says.

This year, a bipartisan bill (S. 506) titled the Mining Law Reform Act of 1995 has been introduced by Sens. Frank H. Murkowski, R-Alaska, chairman of the Senate Energy and Natural Resources Committee; Larry E. Craig, R-Idaho, chairman of the committee's Forests and Public Land Management Subcommittee; and Harry Reid, D-Nev. It proposes a 3 percent net federal royalty.

The bill also directs a share of the royalty receipts to states for cleanup of abandoned mines, maintains state environmental and reclamation standards, and requires payment of fair market value for surface land.

"The U.S. Chamber believes this legislation provides reasonable reforms that would preserve U.S. hard-rock mining jobs and ensure a stable and affordable domestic supply of hard-rock minerals," Jefferson says.

Senate hearings on mining-law reform have been completed, and S. 506 is scheduled for committee and Senate floor votes in late spring. However, critics of hard-rock mining may try to block consideration of the bill by the full Senate with a filibuster.

Fifty-one votes are required to pass a bill in the Senate, but only 41 are needed to extend debate—or to continue a filibuster—on legislation.

Stiff competition is expected from a bill introduced by Sen. Dale Bumpers, D-Ark., that would impose an 8 percent gross royalty, pre-empt state reclamation standards, deny prospectors the right to take title to the land, and allow federal land managers to veto mining operations. Rep. Nick Joe Rahall II, D-W.Va., is sponsoring a similar bill in the House. The legislation has the strong backing of Interior Secretary Bruce Babbitt.

Bumpers may attempt to lead a filibuster against the Craig-Murkowski-Reid bill if it comes to the Senate floor for a vote.

"Empowering federal land managers to deny operating permits on the grounds of vaguely defined 'unsuitability' would likely foreclose many opportunities for profitable, job-creating new operations," Jefferson says. "Four hundred million acres of federal land are already off-limits to hard-rock mining. Similarly, because of the thin operating margins of the hard-rock mining industry, many mining companies could not afford to pay a gross royalty and would be forced to shut down their operations."

In the House, legislation resembling the Craig-Murkowski-Reid proposal is expected to be introduced soon by Rep. Ken Calvert, R-Calif., chairman of the Energy and Mineral Resources Subcommittee of the Resources Committee. In explaining the seriousness of the issue, the Chamber's Jefferson says: "The hard-rock mining industry contributes to the economic viability of hundreds of communities in the Western states and elsewhere—directly employing 120,000 people and accounting for another 3 million jobs in associated industries nationwide. A viable domestic

PHOTO: [illegible]

mining industry requires access to federal lands.

"During the past decade, nearly 450,000 high-paying jobs have been lost in the domestic oil industry as access to federal on-shore and off-shore lands has been progressively withdrawn," she says. "Congress should refrain from inflicting the same harm to the domestic mining industry."

Write your senators and urge them to vote for the Craig-Murkowski-Reid proposal, S. 506. Write your representative and urge support for reform legislation similar to S. 506. The address for senators is U.S. Senate, Washington, D.C. 20510; the address for representatives is U.S. House of Representatives, Washington, D.C. 20515.

GAIN Tips For Communicating With Congress

One of the best ways to communicate with your members of Congress is by telephone. A phone call is inexpensive and convenient, and it ensures that your views are heard and your concerns are understood.

When you call a congressional office, you will be connected with someone who is knowledgeable about the issue of concern to you.

When you call, provide:

- Your name and the capacity in which you are calling—as a concerned constituent or on behalf of a company, for example.
- The city or town in which you live or where your company is located.
- The reason you are calling. If possible, provide the bill number of pertinent legislation.

Provide as much information as possible. Tell the congressional office why you are concerned about the issue and how it will affect you or your company.

If you are calling on behalf of your company, mention the number of employees and how many of them are constituents of the member of Congress. If possible, provide anecdotes about how you have been affected by similar legislation in the past or how you will be affected by the pending legislation.

And remember, congressional offices receive many phone calls daily. While they expect and need to hear from you, you're more likely to make a good impression if you get right to the point.

You can reach your members of Congress through the U.S. Capitol switchboards: House of Representatives, (202) 225-3121; Senate, (202) 224-3121. You can also call the district office of your representative or the state offices of your senators, which are typically listed in the white pages of local telephone directories.

Coalition Urges Market Reforms As Farm Bill Takes Shape

U.S. agriculture is poised for future growth, but only if farm policies are reformed to unleash the sector's productivity and creativity. That's the message of the 118-member Coalition for a Competitive Food and Agriculture System, which includes the U.S. Chamber of Commerce and businesses representing all links of the food chain: suppliers, growers, handlers, processors, transporters, and marketers.

Congress must craft a new farm program to replace the 1990 agriculture act, which expires this year. The process is long and difficult because the dozens of programs and billions of dollars in spending authority contained in the legislation directly affect not only farms and ranches but also farm-related businesses, the food industry, rural communities, and consumers.

While farms account for 2 million jobs, other sectors of the food chain employ 19 million workers. Altogether, the food industry is the country's largest, generating 16 percent of the nation's gross domestic product.

The Chamber-backed coalition has come together to advance a new set of growth-oriented policies designed to capture dynamic marketing opportunities at home and abroad.

The coalition is advocating its proposals as congressional hearings continue in the House and Senate agriculture committees. The two panels are expected to draft bills this summer, with House and Senate floor votes expected after Labor Day.

Agriculture Secretary Dan Glickman is expected to announce the Clinton administration's farm plan later this spring.

"Farm bill reforms will boost competitiveness and foster a greater demand for American food and agricultural products here and abroad."

—U.S. Chamber's Stuart Hardy

While there is widespread agreement that the federal government should play a diminished role in setting crop prices and managing supplies, the extent and pace of government's withdrawal from crop markets is at issue. Most participants in the legislative process agree that there must be more flexibility for farmers and fewer government restrictions.

Absent from this year's farm policy debate are demands for protection and high price supports, and the momentum strongly favors a more market-oriented program.

"The key issue for farm- and food-related businesses," says Stuart Hardy, the U.S. Chamber's food industry specialist and spokesman for the coalition, "is the need to curb government policies that idle 60 million acres of cropland annually in a futile attempt to prop up commodity prices."

In spite of large acreage-reduction programs, farm prices of all major commodities have continued to decline since the early 1980s. Meanwhile, the U.S. share of feed grains, wheat, and oil-seed markets has plummeted 20, 15, and 25 percent respectively, and the resulting underutilization of the agribusiness infrastructure has led to little new investment in such sectors as transportation, storage, and processing. "Clearly," says Hardy, "something needs fixing."

Policies that idle one-fifth of America's cropland hurt farmers by raising their costs of production and reducing their incomes, he notes. At the same time, these supply-control policies hurt sales by crop-input suppliers, tractor dealers, hardware stores, feed dealers, grain elevators, food processors, and many other businesses, especially those in rural areas.

One recent study concluded that acreage idling cost $3.5 billion in lost farm-input revenues, $5.5 billion in gross farm income, and $2 billion in net farm income annually over the 1990-93 period. More than 225,000 jobs have been lost as a result of excessive land retirement.

Compounding the problem is the lack of planting freedom, Hardy says. Growers are strongly encouraged to plant subsidized "program crops," such as wheat, corn, and feed grains. That's the case even when the market is signaling for alternative crops because diversification will jeopardize the growers "acreage base," upon which future government payments are determined.

Strong domestic demand as well as rapid growth in Asia, Latin America, and elsewhere make it possible for the U.S. to expand production gradually. In China and India alone, there are 2.1 billion consumers with steadily growing disposable incomes and an appetite for more and better food.

Diets and food demand will improve rapidly as incomes advance, and the value and volume of global trade in foodstuffs will continue to explode. The only question is: Will U.S. farmers and food processors get the benefit, or will our competitors claim these markets?

Consequently, the Chamber and the coalition advocate an end to acreage set-aside programs so that farmers can meet this demand. Similarly, the Conservation Reserve Program, which has taken 37.5 million acres of cropland out of production, should be sharply reduced and targeted to highly erodible or environmentally sensitive land.

These reforms will lead to greater production and exports and translate into greater farmer profitability and national economic growth.

Other Chamber and coalition goals include strong export market development efforts and continued research funding to help growers lower their production costs, raise yields, and develop new crop uses.

"Farm bill reforms will boost competitiveness and foster a greater demand for American food and agricultural products here and abroad," says Hardy. "We believe that such policies will mean higher farm income and more jobs in the agribusiness and food-processing sectors." GU

■ Legislation

Land-Rights Bill Advances

The U.S. Chamber of Commerce is urging the Senate to approve legislation to protect the rights of property owners and to compensate them when their land is "taken" through federal regulations.

The legislation is pending in the Senate Judiciary Committee, which held a hearing April 6 on the measure and was expected to hold at least one more hearing in June. The bill is likely to be ready for a vote by the full Senate sometime this summer.

The bill, sponsored by Majority Leader Bob Dole, R-Kan., would require the federal government to compensate landowners if the value of their property is reduced by one-third or more through actions of federal agencies. The measure also would require agencies to prepare takings-impact analyses of all proposed federal rules and to initiate actions to minimize the taking of private property.

A property-rights bill passed by the House, which the Chamber also supported, would require compensation to landowners if their property were devalued by 20 percent, and the measure would streamline the appeals process for challenging federal takings.

The measure would apply, however, only to regulations under the Endangered Species Act, the wetlands provisions of the Clean Water Act, federal farm bill rules, and certain Western water rights laws.

Because legislation that may ultimately pass the Senate is expected to differ from the House measure, a conference committee will likely be convened to reconcile the bills. President Clinton has indicated that he would veto any measure that requires compensation to landowners.

In a letter to Dole, the Chamber pledged its "strong support" for his Omnibus Property Rights Act.

The bill "would inject accountability and balance into those federal programs that seek to limit the use and control of private property," said Bruce Josten, the Chamber's senior vice president for membership policy. "It would not relieve businesses and private-property owners from their responsibility of being stewards of the land but would simply require this government to live up to its obligations under the Fifth Amendment to the Constitution."

The Fifth Amendment says that private property shall not be taken for public use without just compensation.

■ Science Education

Dr. Richard L. White, executive vice president of Bayer Corp. of Pittsburgh, and Dr. Mae C. Jemison, a physician and astronaut, answer the audience's questions at a conference marking National Science & Technology Week. The conference, held at the U.S. Chamber of Commerce in April, concerned findings of a nationwide survey, sponsored by Bayer, of elementary-school parents' and teachers' attitudes toward science education.

■ Leadership

Lesher Honored For Service

Richard L. Lesher celebrated his 20 years at the helm of the U.S. Chamber of Commerce April 25 with a luncheon highlighted by a special tribute from Jan and Halina Wolkowski.

Richard L. Lesher, left, accepts an honorary scroll from, left to right, Halina, Jan, and Lester Wolkowski. The handcrafted document commemorates Lesher's 20 years as president of the U.S. Chamber.

The Wolkowskis, recently retired entrepreneurs who immigrated to the U.S. from Poland at the end of World War II, presented Lesher with a handcrafted scroll commemorating his two decades of leadership at the nation's largest business federation.

"For 20 years, Dr. Richard L. Lesher has led the U.S. Chamber of Commerce with wisdom, dynamism, and dedication reflected in the organization's steady growth in membership and stature," the scroll reads, in part. Lesher "has become the true 'Voice of Business' to a generation of Americans and has carried his message of democracy and free enterprise around the world," the scroll says.

The Wolkowskis' son, Lester, is a U.S. Chamber membership marketing salesman in Chicago. The Wolkowskis have presented similar scrolls to numerous dignitaries, including Presidents Richard Nixon and Ronald Reagan.

■ Workplace Training

Fall Satellite Seminar Series Set

What many experts see as the growing threat of violence in the workplace will be scrutinized during a satellite seminar in the fall Quality Learning Series produced by the U.S. Chamber of Commerce.

Garry Mathiason, a San Francisco attorney who specializes in workplace-violence issues, and Chris Hatcher, a professor of psychology at the University of California at San Francisco, will lead the seminar, which will air Oct. 31.

The other seminar leaders include favorites from previous seasons, as well as some exciting new faces.

Returning, for example, will be Stuart R. Levine, CEO of Dale Carnegie & Associates, the internationally renowned training firm, and co-author of *The Leader in You* (Simon & Schuster), and Joel Barker, founder and president of the Infinity Limited consulting firm, in Lake Elmo, Minn.

Also returning will be A. Roger Merrill, vice president of the Covey Leadership Center in Provo, Utah. Merrill's book, *First Things First* (Simon & Schuster), co-authored with his wife, Rebecca, and Stephen R. Covey, has been climbing the best-seller lists.

In addition to Mathiason and Hatcher, the new seminar leaders are Hyrum Smith, chairman and CEO of Franklin Quest Co., which makes popular time-management tools known as Franklin Planners, and Patricia Harrison, president of the National Women's Economic Alliance Foundation.

These are the dates, seminar leaders, and subjects for the fall series:

Sept. 12—Stuart R. Levine; "Responding to the Challenge of Change: Leadership Strategies for the '90s."

Sept. 26—Peter R. Scholtes, a consultant and author based in Madison, Wis.; "Using Teams to Get Results."

Oct. 3—Brian Joiner, CEO of Joiner Associates, a Madison consulting firm; "Examples in Improvement: Lessons Learned."

Oct. 10—Hyrum Smith; "Gaining Control: Your Keys to Freedom and Success."

Oct. 31—Garry Mathiason and Chris Hatcher; "Violence in the Workplace." This seminar will be co-sponsored by the Society for Human Resource Management and the U.S. Chamber's National Chamber Litigation Center.

Nov. 7—A. Roger Merrill; "Win-Win Stewardship."

Nov. 14—Patricia Harrison; "A Seat at the Table: An Insider's Guide for America's New Women Leaders."

Dec. 5—Joel Barker of the Infinity Limited consulting firm; "Five Regions of the Future."

All seminars air from 1 to 3 p.m. Eastern time. To learn how you can host a downlink site or purchase taping rights, call the Chamber's Federation Programs and Services Division at 1-800-835-4730 or (202) 463-5940. A catalog describing the fall seminars in detail will be available in early June.

Joel Barker, founder and president of the Infinity Limited consulting firm, in Lake Elmo, Minn., and a presenter during the fall 1994 series of quality-management seminars presented by the U.S. Chamber, returns to host a seminar in the fall 1995 series, which begins Sept. 12.

■ Business Help

Briefing On Rules Slated

The National Chamber Litigation Center, the public-policy law firm of the U.S. Chamber of Commerce, is sponsoring a regulatory briefing for business.

The all-day briefing will begin at 9 a.m. Oct. 17 at the Chamber headquarters in Washington. It will feature top officials from various federal regulatory agencies and a panel discussion of the role of federal agencies in the current regulatory-relief climate. A question-and-answer session will follow.

Sally Katzen, administrator of the Office of Information and Regulatory Affairs, and Joseph Dear, administrator of the Occupational Safety and Health Administration, have accepted invitations to participate in the briefing. Confirmation from other regulatory agency heads is pending.

For more information about the briefing, call the National Chamber Litigation Center at (202) 463-5337.

What Will You Do When Your Personal Assets Are Seized to Satisfy A Judgment Against Your Corporation?

All your many tax benefits of owning a corporation could be wiped out overnight. How? The I.R.S. could visit you and claim you have not kept proper corporate minutes. You could lose the very tax benefits to which the law entitles you.

Here are some recent "horror stories" direct from actual court cases:

Joseph P. obtained a loan from his corporation without the proper loan documents and corporate minutes. As a result, the court required him to pay additional taxes of $27,111.60. He narrowly escaped a penalty of $13,555.80.

B.W.C., Inc. was forced to pay $106,358.61 of accumulated earnings tax because its corporate minutes were incomplete. They expressed "no specific, definite, or feasible plans" to justify accumulating earnings, according to the court.

Keeping records has always been a bother, and an expensive one, especially for small companies. Most entrepreneurs do not like to spend time keeping records. Probably because no one ever became rich by keeping records. And in a small, one-person business, it seems downright silly to keep records of stockholder meetings and board of directors meetings...keeping minutes...taking votes...adopting resolutions...isn't it all just a waste of time?

Not if you ask any of the thousands of entrepreneurs who have lost fortunes because they failed to keep records. You should look at corporate recordkeeping chores this way: *It's part of the price you pay to get the tax benefits and personal protection from having a corporation.*

A corporation does not exist except on paper, through its charter, by-laws, stock certificates, resolutions, etc. Anything you do as an officer or director has to be duly authorized and evidenced by a resolution of the stockholders or the board, or by both in some cases. It makes no difference if there is only one stockholder or one million stockholders. The rules are basically the same.

You can hire a lawyer, like the big companies do, and pay $100 or more just to prepare one form. But you may need, at minimum, a dozen or more documents to keep your corporation alive and functioning for just one year. This type of work is the bread and butter for many corporation lawyers. Most of the work can be done by their secretaries, yet they will charge you enormous sums because they know how important these forms are.

There is now a way for you to solve your corporate recordkeeping problems. Without a lawyer, without paying big fees, and without spending a lot of time. Virtually all the forms you will ever need are already compiled in **The Complete Book of Corporate Forms** by Ted Nicholas. Nicholas also created the highly popular computer diskettes for **The Complete Book of Corporate Forms**. These diskettes can save you hours of valuable time—and can save you literally thousands of tax dollars each year.

But forming a corporation is only the first step toward building "the ultimate tax shelter." Through carelessness or neglect, many people are denied their rightful benefits from owning their own corporation. Ted Nicholas saw that many business owners needed more help *after* they incorporated.

And so, he prepared **The Complete Book of Corporate Forms**. Everything is simplified. Either you or your secretary can complete any form in minutes. All you do is fill in a few blanks and insert the completed form in your record book. When you own this book, you are granted permission to reproduce every form. If you are behind on keeping your corporate records, now you can catch up in no time. Just complete a few blanks for the things you've already done in the company. It's legal and it works. Best of all, the price is less than you would pay a lawyer for one hour of counseling.

Here is just a sample of what you'll receive:

Minutes of Stockholders Meetings
Minutes of Directors Meetings
Minutes of Special Meetings
(Any of these can be used if you are the only stockholder and director.)
Amendments to Articles of Incorporation
Amendments to By-Laws

You will also receive all the stockholder and directors resolutions you will need including:

• Negotiations of contracts • Authorizing loans to corporation • Approval of corporate loans to you • Designation of purchasing agent *(some suppliers may want to know who is authorized to buy from them)* • Setting your salary • Directors fees • Authorizing your expense account • Mergers • Sale of corporate assets • Dissolution • Bankruptcy • Declaring dividends • Appointment of attorney or accountant

Plus, you'll receive the forms needed to authorize any of these tax-saving fringe benefits:

• Pension or profit-sharing plans • Medical and dental reimbursement plans • Sick pay plans • Split dollar life insurance • Educational loan program • Scholarship aid program • Stock options • Group life insurance • Financial counseling plan • Group legal services • Christmas bonus, special bonuses

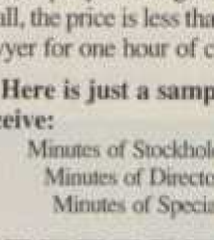
Just one of the above forms can cost you hundreds of dollars in legal fees...

This entire loose-leaf collection of simplified forms (over 150 pages of forms), with clear instructions for their use, as well as samples of completed forms, sells for only $119.95.

And, as with all Dearborn Direct products, it sells under an iron-clad 30-day money-back guarantee. Examine the collection, and if for any reason you are not pleased, return it for a prompt refund. Take a moment to place your order now, and immediately begin saving time and money.

Complete the coupon below and mail.

For fastest service, call toll-free: 1-800-882-0933
or complete coupon and mail at once.



☐ Please rush me a copy of **THE COMPLETE BOOK OF CORPORATE FORMS** at $119.95 + $6.00 shipping and handling, under your 30-day money-back guarantee. Please check your preference:

☐ Binder & DOS Disk (4900-01-S1)
☐ Binder & MAC Disk (4900-02-S1)

☐ Check enclosed. Please charge my: ☐ Visa® ☐ MasterCard® ☐ Am Ex® ☐ Optima®

Account Number__________ Exp. Date______

Signature__________
(All charge orders must be signed)

Name__________

Company__________ Business Phone ( ) ______

Street Address__________

City/State/Zip__________ Business Fax ( ) ______

Orders shipped to the following states must include applicable sales tax: CA, FL, IL, NY.

3 Easy Ways to Order: (1) Fill out this coupon and send with your check to: Dearborn Direct, 155 N. Wacker Drive, Chicago, IL 60606-1719. (2) FAX your order to: 312-836-9958. (3) Call 1-800-882-0933

305102

■ Davis-Bacon Act

Repeal Federal Wage Law, Chamber Urges

The U.S. Chamber of Commerce is urging members of the House and Senate to approve legislation to repeal the federal Davis-Bacon Act.

The Depression-era labor law requires contractors on federally funded projects of $2,000 or more to pay their workers the area's prevailing wage, which usually is the union wage.

The Senate Labor and Human Resources Committee in March passed a repeal bill, S. 141, sponsored by the panel's chairman, Nancy Landon Kassebaum, R-Kan.

Rep. Cass Ballenger, R-N.C., has authored a bill to repeal the Davis-Bacon law.

The House Economic and Educational Opportunities Committee (formerly the Education and Labor Committee) was expected to approve similar legislation sometime in May. The committee's Subcommittee on Workforce Protections on March 2 approved a repeal bill—H.R. 500—sponsored by Chairman Cass Ballenger, R-N.C.

The subcommittee also passed legislation, H.R. 246, to repeal the Service Contract Act. That law requires companies providing services to the federal government under contracts worth $2,500 or more to pay their workers prevailing wages and benefits.

Repeal of the Davis-Bacon Act has been a top priority of the Chamber. During the past several Congresses, the business federation has had to fight proposals by pro-union lawmakers to expand the law.

For example, an amendment that was ultimately defeated during debate on a 1994 procurement-reform bill would have extended coverage of the wage law to off-site manufacturers and suppliers on federally funded projects and to truck drivers who made deliveries to the job site; current law applies only to workers on the job site. The amendment also would have allowed individuals and "interested parties"—most likely to be unions—to sue to enforce the statute.

The Congressional Budget Office has estimated that rescinding the Davis-Bacon and Service Contract acts would save the government more than $6 billion over five years.

President Clinton has vowed to veto measures to repeal the two laws.

Call your senators and representative and urge them to vote to repeal the Davis-Bacon and Service Contract acts. Ask your representative to vote for H.R. 500 and H.R. 246; ask your senator to vote for S. 141. You can reach them through the Capitol switchboard at (202) 225-3121.

■ Foreign Operations

Conduct Code Sparks Dissent

A Clinton administration proposal for a code of conduct for U.S. companies operating overseas has prompted objections from the U.S. Chamber of Commerce.

The voluntary code, or "model business principles," was expected to be issued in May. The principles would urge U.S. firms in foreign countries to provide safe and healthful workplaces, refrain from using child or forced labor, allow workers to organize and bargain collectively, and use environmentally safe practices.

"Beyond compliance with the laws of each host country in which [it does] business, and except for conduct that directly threatens U.S. national-security interests, the principles and standards which best support an enterprise are fundamentally matters to be determined by that enterprise and are not an appropriate subject of a directive from any government," Willard A. Workman, vice president/international for the Chamber, wrote to Laura D'Andrea Tyson. Tyson is assistant to the president for economic policy and head of the National Economic Council.

While the directive would not be binding on firms, the Chamber believes its implementation could ultimately lead to mandatory principles and hurt U.S. competitiveness abroad.

■ Chairman's Remarks

Dennis W. Sheehan, 1995-96 chairman of the U.S. Chamber, recently addressed the Roanoke Regional Chamber of Commerce in Roanoke, Va., on the federation's National Business Agenda and its numerous recent successes on Capitol Hill. Sheehan, who is chairman, president, and CEO of AXIA Inc., of Oak Brook, Ill., also spoke before chambers in the southwestern Virginia communities of Danville and Bedford.

The Nation's Market Place

CLASSIFIED ADVERTISING

BUSINESS OPPORTUNITIES

RELOCATABLE BUSINESSES
Acquire established, going businesses you can relocate to your own area. Mail order, publishing, distribution, other movable businesses that are for sale. Expand your horizons and your profits. For a free sample, detailed report on these businesses in the Relocatable Business newsletter, write Business Listing Services, Box 1248-NB, Highland Park, IL 60035. (800) 448-8567.

LET'S WORK TOGETHER And Make Fast Money In RIPPLE. Call ED: 215-849-0948; Or JENNIFER: 505-425-3657.

LET THE GOVERNMENT FINANCE your small business. Grants/loans to $500,000. Free recorded message: 707-448-0270 (MX1).

EMBROIDERY PATCHES
FREE wholesale catalogue: IRWIN, Box 2096 (BA), Baytown, TX 77522. 713-424-7651.

YOUR OWN BOSS
How to. WYNN COMPANY (BA), 3275 West Ashlan, #3311, Fresno, CA 93722.

GET RICH! FREE information. How to find the one opportunity ad that can make you rich. Bristol's, PO Box 7777-5, Culver City, CA 90233.

NEW 1995 VEHICLES: $800 down/$75 Monthly. Ultimate Business Opportunity! Send SASE to HEARN, Box 300, Norfork, AR 72658.

---

900 NUMBERS CHEAP! Own Your Own. Dateline, Live Psychic or Chat Lines Are Incredible Moneymakers. Only $99.00 Complete. 1-800-321-2253.

$100,000 PLUS POTENTIAL!
Easy, Legal Home Business. $2.00+ SASE To CA&M ENTERPRISES, PO Box 42-8775, Cincinnati, OH 45242-8775.

FREE REPORT REVEALS what moneymaking opportunities will help you become rich. Send self addressed stamped envelope: Secor, Box 18027-R, Chicago, IL 60618-9998.

EASY $1,000 WEEKLY!
Selling CD-ROM Software.
CASHROM, 427A Southnova,
Ormond Beach, FL 32174.

PERSONAL COMPUTER OWNERS CAN EARN $1,000 TO $5,000 Monthly offering simple services part time. Free list of 100 best services. C.B.C.A.W., PO Box 926168, Houston, TX 77292.

BUSINESS OPPORTUNITIES

START A TSHIRT Screen Printing Business under $600. Step-by-Step Guide. $7.50 to Homebiz 738A Queensway #57023, Etobicoke, Ontario M8Y 3Y2 Canada.

DISTRIBUTORS WANTED! HIGH Income, will train, enormous potential. For materials send $10.00: BLT Enterprises, Box 618052, Orlando, FL 32861-8052. Serious replies only.

THE MOST POWERFUL home business ever created! $150 plus some work averages $100,000 - TAX FREE! Love it or money back! Send $5.00 to: Mark Lamond, 88(B) Tolles Street, Dept. BA, Nashua, NH 03060-2424.

MAKE MONEY AT HOME starting next week. Mailing diet, health and beauty catalogs. Free information. Call (916) 484-4156 Ext. 109 (24 hours) or write: Laura Katherine, Dept. 109, Box 9178, Auburn, CA 95604.

EMPLOYMENT

HONG KONG OPPORTUNITIES
List of Executive Search Firms $9.95: JFS, PO Box 2373(BA), Pt. Charlotte, FL 33949.

FINANCIAL SERVICES

PREPAID PHONE CARDS
Savings To 90%
CALL 1-800-884-7934 Ext. 9200.

VISA/MASTERCARD GUARANTEED Approval
Bad/No Credit OK
24 Hours (800) 838-4773.

VISA/MASTERCARD GUARANTEED Approval! Regardless of your credit history. Free details: 1-800-454-4568.

THINKING ABOUT BUYING A House?
This Report Could Save You Money. Send $10.00 to: JB Enterprises, 1208 E. Lincoln, Iola, KS 66749.

SAVE A FORTUNE!
Get the annual fee and finance charges removed from your credit card bill forever! I worked for a major credit card company for years and I **KNOW all the secrets!** Save hundreds or thousands yearly! Send $25.00 check (or $35 M.O.) to:
CREDIT CARD SECRETS
[illegible]

MONEYMAKING OPPORTUNITIES

TV ADS GOES MLM!
$20,000 MONTHLY. Vertical Downline! No Selling. FREE details. (317) 299-8892.

FREE COPY: "THE INCOME BOOK"
Make Extra Money. Write: FRAZIERS, 3-E Cedar, Fair Haven, VT 05743.

CourtCA$H. 14 WAYS to make $10,000 A Month! Ground Floor Opportunity. (213) 263-6622 Ext. #3.

INCREDIBLE MONEYMAKING PLAN $50,000 in 90 days. This is for real. $3.00: Box 135(BA), Westfalls, NY 14170.

GUIDE TO HOME employment! Send $3 and self addressed stamped envelope. Dennis, 13402 Kansas Avenue, Gardena, CA 90247.

HOW TO MAKE $100,000 in 100 Days. For details send SAE and $1 to: RR1, Box 63-6546Y, Eldorado, Ontario, CANADA K0K 1Y0.

A GUIDE TO Home Employment. For information rush $1.00 and SASE to: Senton Services, 400 Myrtle Avenue, Irvington, NJ 07111.

EARN $10,000 MONTHLY with home business. No investment. Easy and legal. Free details. POB 886714, Great Lakes, IL 60088.

SHARE IN BILLIONS! Profits 1-800-942-4229. Sell Discount Long Distance! 14.9 Day, 12.6 Non-Day! Volume Discounts!

EARN $ AT HOME (Assembling/Clerical).
Send SASE to:
CJAB, Box 537(BA), Long Valley, NJ 07853.

EARN INCREDIBLE PROFITS!
Start a home based business. No experience needed. Free details. IBS, 10258 Deesport, Lake Charles, LA 70601.

EARN UNLIMITED INCOME With A Program The "Wall Street Journal" Calls The Best Opportunity of the 90's. Free details: CIS, 3412 Wrightsboro Rd., 902-333, Augusta, GA 30909.

$$$ REAL OPPORTUNITY to make thousands. From Home. Easy. Unlimited Potential. For details, send $5 to: LDP, Box 745, Converse, TX 78109.

SELL CD-ROM BY MAIL!
Easy $1,000 Weekly! Selling CD-ROM software from home. Completely by mail. Amazing profits. No experience needed. Insider secrets revealed. Voted #1 Business Opportunity. CD-ROM is America's fastest growing industry. Get in early! Free Information Booklet.
FREE BOOKLET
CASH-ROM
427 South Nova Rd., Suite E
Ormond Beach, FL 32174

MAKE BIG MONEY
AT HOME FULL-TIME, PART-TIME, STUDENT, OR EMPLOYED. $2.00 PH Desmond Hughes, 2814 Fairfield Ave., Suite 148, Black Rock, CT 06605.
HOW TO WRITE CLASSIFIED ADS
Everything you always wanted to know about classified advertising but didn't know who to ask. You can make money with small ads. This report shows how. $1.00. Desmond Hughes, 2814 Fairfield Ave., Suite 148, Black Rock, CT 06605.

EXTRAORDINARY PROFITS! GET Paid TWO Ways - 60% Commission Plus $3.00 Per Envelope! RUSH SASE and $4.00 to: California Correspondence Cooperative, 9921 Carmel Mountain Road, Suite 230, San Diego, CA 92129.

HOW VIETNAM COMPANY DIRECTORY can make you really rich! Send for ALL-BENEFIT detail-demonstrated sample directory. All inquiries are welcomed. Limited Time. Please include a refundable (toward full directory order) $4.00. TRAN TOURISM & TRADING CORPORATION, 9-(BA) Morris Park Lane, East Hampton, NY 11937.

OF SPECIAL INTEREST

WWW.YOUR COMPANY.COM
Internet Advertising. Reach over 100K A MONTH! As low as $20.00 (213)263-6622 x25.

WANT FREE SILVER MONTHLY?
$5: KJV, Box 54121 (BA)
Phoenix, AZ 85078.

IRS FREEDOM THE WEAPON
$24.95 information: 37358 Sticker Road,
Pearl River, LA 70452.

FOUNTAIN OF YOUTH? As seen on "CNN"! Raise DHEA levels safely, naturally! Experience vibrant health! FREE REPORT. 1-800-576-5019.

SELF-HELP LEGAL Kits: premarital agreement, child-support enforcement, no-fault divorce and more; send $3.00: JCMC, PO Box 40625, Indianapolis, IN 46240 for information.

ADS THAT DON'T PULL
CAN LEAVE YOU BROKE!
Start now with less than $100 and MAKE LOTS OF MONEY with classified ads that work! It's easy WHEN YOU REALLY KNOW HOW. FREE INFORMATION. Send SASE to: West End Specialties, 7435 Colton Lane, Manassas, VA 22110.

Scientists Discover Healing Secrets of Ancient Food
Found in neighborhood stores
FREE VIDEO
Send $4 for
shipping/handling
(no cash please) to:
MNFI, 2050 W. 190th, #110
Torrance, CA 90504

PRINTING

PRINTING SAVE $$$
HIGH QUALITY-LOW PRICE
FULL SERVICE: Bus. cards, letterhead, envelopes, brochures, fliers, labels, balloons, pens, etc. For information
write to: **EASY PRINT**
P.O. BOX 2044-(BA),
CHESTERFIELD, VA 23832-2044

U.S. Chamber MemberServices

The U.S. Chamber of Commerce offers numerous services and publications to its members. Here is a partial listing of these benefits.

Where To Call For Assistance

U.S. Chamber staff members are ready to assist you with questions about membership, legislation, and services. Following is a list of some of the Chamber departments and their telephone numbers:

U.S. Chamber (main number) . . . . (202) 659-6000
Association Relations . . . . (202) 463-5560
Briefing Center . . . . (202) 463-5414
Broadcast . . . . (202) 463-5691
Chamber of Commerce Relations . . . . (202) 463-5580
ConSern: Loans for Education 1-800-697-5626
Customer Service/Publications
Orders. 1-800-638-6582
(In Maryland) . . 1-800-352-1450
Federation Programs and Services . . . . (202) 463-5570
Quality Learning Services
Department 1-800-835-4730
(In the Washington, D.C., area) . . . . (202) 463-5940
Grassroots Action Information
Network. . . . . (202) 463-5604
Membership . . . . . . (202) 463-5459
Nation's Business subscriptions 1-800-727-5869

Policy Departments

Business and Government . . . . (202) 463-5500
Congressional Affairs . . . . (202) 463-5600
Economic. . . . . (202) 463-5620
International. . . . . . . (202) 463-5460
Small Business Center . . . . (202) 463-5503

Affiliates

Center for International Private
Enterprise . . . . . . (202) 463-5901
Center for Workforce Preparation . . . . (202) 463-5525
National Chamber Foundation . . . . (202) 463-5552
National Chamber Litigation Center . . . . (202) 463-5337

Management Training

The U.S. Chamber's Quality Learning Services Department (QLS) offers televised management seminars via satellite to local sites.

Top experts in the quality-management field are the principal presenters. See details on the seminar series beginning this fall on Page 12A.

For information, including prices for downlinks and taping rights, call 1-800-835-4730 or (202) 463-5940.

A catalog of management-training videotapes is also available by calling the same numbers.

NAFTA

An information package to help businesses succeed under the North American Free Trade Agreement among the U.S., Mexico, and Canada is available from the Chamber's International Division at (202) 463-5460.

The package—"NAFTA Impact"—includes the Chamber's NAFTA guide, the American Chamber in Mexico's guide to doing business in Mexico, a business overview, a guide to customs procedures, and tailored analyses of your exports and market information. The cost to Chamber members is $59.95; to nonmembers, $69.95.

Free Brochures

A number of brochures on complying with various federal regulations and laws and on operating a business are available free to U.S. Chamber members. They include:

How to Sell to the Federal Government (#2002)
How to Manage Risk and Control Your Insurance Costs (#2003)
How to Expand Your Market Through Exporting (#2004)
How to Obtain Good Legal Advice and Control Your Legal Costs (#2006)
How to Obtain Small Business Financing (#2007)
How to Prevent Drug Abuse in the Workplace (#2008)
How to Manage AIDS in the Workplace (#2009)
How to Comply with the OSHA Hazard Communication Standard (#2011)
How to Test Your Benefit Plans for Discrimination (#2013)
How to Locate Information for Your Family Business (#2014)
How to Succeed in Franchising (#2015)
How to Comply with the Americans with Disabilities Act (#2016)
How to Communicate with Your Congressional Representatives (#2017)
How to Comply with the Civil Rights Act of 1991 (#2018)
How to Comply with the Family and Medical Leave Act (#2019)
How to Comply with OSHA (#2020)
How to Determine Independent Contractor Status (#2021)

To order the brochures, call 1-800-638-6582 (in Maryland, call 1-800-352-1450), or write U.S. Chamber of Commerce, Publications Fulfillment (RKVL), 1615 H Street, N.W., Washington, D.C. 20062-2000.

Credit card orders may be faxed to (301) 468-5150. Include the publication number.

For orders of 50 or more, there is a charge of 10 cents per brochure.

Policy Briefings

The Chamber's Briefing Center designs and conducts meetings at which representatives of businesses, state and local chambers of commerce, and trade associations receive specialized presentations on public-policy issues affecting their respective organizations.

For more information or to arrange a briefing, call (202) 463-5414.

Education And Training Activities

The Center for Workforce Preparation, an affiliate of the U.S. Chamber, works on behalf of business to mobilize, recognize, and publicize the leadership that local and state chambers of commerce are providing to improve education and training throughout the country.

Among many other activities, the center maintains a database clearinghouse of local education-reform initiatives undertaken by chambers across the country. For more information on the center's work and available publications, call Michelle Griffin at (202) 463-5525.

Business Planning

The U.S. Chamber is offering two free business-planning seminars. The seminars will be presented by the investment firm Edward D. Jones & Co. and the Chamber in cooperation with *Nation's Business* magazine.

A seminar on retirement planning will air July 19, and one on succession planning will air Aug. 2. Both programs, which will be sent by satellite from Edward D. Jones' St. Louis headquarters, can be seen from noon to 1:30 p.m. Central time.

For more information, call the Chamber's Federation Programs and Services Division at 1-800-835-4730. In the Washington, D.C., area, call (202) 463-5940.